UNITED NATIONS

UNFCCC Framework Convention on Climate Change

Distr.
GENERAL

FCCC/SBI/2000/9
11 August 2000

ENGLISH ONLY

SUBSIDIARY BODY FOR IMPLEMENTATION
Thirteenth session
Lyon, 11-15 September 2000
Item 13 (c) of the provisional agenda

ADMINISTRATIVE AND FINANCIAL MATTERS

AUDIT REPORTS

Audited financial statements for the biennium 1998-1999: report of the United Nations Board of Auditors

Note by the Executive Secretary

1. The financial procedures of the Convention require that "a final audited statement of accounts for the full financial period shall be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed". They also stipulate that "the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations" (FCCC/CP/1995/7/Add.1, decision 15/CP.1, annex I, paras. 18-19).

2. The Board of Auditors audited the financial statements for the biennium 1998-1999 and undertook a management audit of UNFCCC conference support arrangements. The full text of the report of the United Nations Board of Auditors, including the financial statements as at 31 December 1999, which was received by the secretariat on 24 July 2000, is attached herewith as received, without formal editing.

3. The Subsidiary Body for Implementation may wish to take note of the information contained in the audited financial statements and the report of the external auditors.

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I. LETTER OF TRANSMITTAL

UNITED NATIONS NATIONS UNIES

BOARD OF AUDITORS

NEW YORK

FAX (212) 963-3684

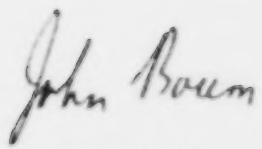
30 June 2000

Sir,

I have the honour to transmit to you the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium 1998-1999 ended 31 December 1999, which were submitted by the Executive Secretary. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.



Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of
Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

The President of the Conference
of the Parties
United Nations Framework Convention
on Climate Change
Bonn, Germany

II. NARRATIVE FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 December 1999

Introduction

1. The Executive Secretary has the honour to submit herewith the financial report, together with the accounts for the biennium 1998-1999 ended 31 December 1999, of the United Nations Framework Convention on Climate Change (UNFCCC). The report is presented in accordance with paragraph 16 of the Financial and common services arrangements for administrative support to the UNFCCC Secretariat.

STATEMENT I.

Statement of income and expenditure and changes in reserves and fund balances

I. Trust Fund for the Core Administrative Budget of the UNFCCC

2. The amount of $19,577,064 shown in Statement I represents indicative contributions from Governments, out of which $1,191,651 has not yet been paid by the end of 1999. The amount of $1,712,492 represents voluntary contributions paid by the host country to the Core Administrative Budget for the biennium 1998-1999 (Schedules 1.1 and 1.2). In addition, $548,707 was received as interest income, $1,385 as Inter-Organization arrangements, and $20,700 as other income, bringing the total income to $21,860,348. Expenditures for the biennium 1998-1999 amounted to $17,967,510 which resulted in an excess of income over expenditure of $3,892,838. The prior period adjustments of $33,899 increased the excess to $3,926,737. The reserve and fund balance of the Core Administrative Budget amounted to $8,152,548 at the end of December 1999.

II. Trust Fund for Participation in the UNFCCC Process

3. A total amount of $1,943,610 was received during the biennium 1998-1999 as voluntary contributions from various governments (Schedule 1.1). In addition $106,791 was received as interest income. Thus, the total income of the fund was $2,050,401.

4. The total expenditure, which included $99,787 as loss on exchange, was $3,306,334, resulting in a shortfall of income over expenditure of $1,255,933. The prior period adjustment of $107,581 reduced the shortfall to $1,148,352.

5. The reserves and fund balance of the fund was $477,481 at the end of December 1999.

III. Trust Fund for a Special Annual Contribution from the Government of Germany

6. $3,894,592 was received from the Government of Germany. Total income in this fund was $4,001,370 after inclusion of $97,216 as interest income and $9,562 as miscellaneous income.

7. The expenditure amounted to $3,933,614, which resulted in an excess of income over expenditure of $67,756.

8. Together with the transfer of $934,384 from the Trust Fund for Voluntary Supplementary Activities and the refund of $363,550 to the Government of Germany, the fund balance of the fund amounted to $638,590 at the end of December 1999.

IV. Trust Fund for Supplementary Activities

9. The voluntary contributions to the fund amounted to $3,262,681 for the biennium 1998-1999 (Schedule 1.1). Total income in this fund was $3,476,419 after inclusion of interest income of $213,738.

10. Total expenditure, including loss on exchange of $58,517, was $2,521,614 that resulted in an excess of income over expenditure of $954,805. The prior period adjustments increased the excess to $967,584.

11. The reserve and fund balance reached $2,245,666 at the end of December 1999 after the transfer of $934,384 to the Trust Fund for a Special Annual Contribution from the Government of Germany and of $19,381 from the unspent balance of Norwegian contribution to JPO programme in other trust fund.

STATEMENT II

Statement of assets, liabilities, reserves and fund balances

I. Trust Fund for the Core Administrative Budget of UNFCCC

12. The assets of the Trust Fund amounted to $10,647,173 and included cash of $8,757,365, indicative contributions receivable of $1,191,651, inter-fund balances receivable of $14,315, other accounts receivable of $648,326, deferred charges of $5,516 and the remittance of $30,000 to the meeting in Ghana in July 1999.

13. The liabilities consisted of other accounts payable of $367,097, unliquidated obligations of $1,712,830 and contributions received in advance of $414,698.

14. The Working Capital Reserve was $689,754 by the end of 1999 and the cumulative surplus of the fund was $7,462,794.

II. Trust Fund for Participation in the UNFCCC Process

15. Total assets of $2,178,809 included cash of $1,626,285, other accounts receivable of $15,896 and the remittance balance of $536,628 to the conference in Buenos Aires in October 1998.

16. The liabilities consisted of inter-fund balances payable of $548,292 and unliquidated obligations of $1,153,036.

17. The Cash Operating Reserve of the fund amounted to $286,604 and the cumulative surplus to $190,877 at the end of December 1999.

III. Trust Fund for a Special Annual Contribution from the Government of Germany

18. The total assets of the fund consisted of cash of $1,387,239 and other accounts receivable of $84,669.

19. The liabilities included inter-fund balances payable of $54,347 and unliquidated obligations of $778,971.

20. The Cash Operating Reserve of the fund amounted to $273,798 and the cumulative surplus to $364,792 at the end of December 1999.

IV. Trust Fund for Supplementary Activities

21. The assets of the fund amounted to $2,737,954 and included cash of $2,654,746 and other accounts receivable of $83,208.

22. The liabilities consisted of inter-fund payable of $162,566, other accounts payable of $167,612 and unliquidated obligations of $162,110.

23. The Cash Operating Reserve reached $163,857 and the cumulative surplus was $2,081,809.

III. CERTIFICATION OF THE FINANCIAL STATEMENTS

25 May 2000

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change, numbered I to III, are fairly stated.

Michael Zammit Cutajar
Executive Secretary
Secretariat of the UNFCCC

IV. ACCOUNTS FOR THE BIENNIUM 1998-1999 ENDED 31 DECEMBER 1999

Statement I

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Statement of income and expenditures and changes in reserve and fund balances for the biennium 1998-1999 as at 31 December 1999

(Expressed in US Dollars)

	TF FOR THE CORE BUDGET OF THE UNFCCC FC		TF FOR PARTICIPATION IN THE UNFCCC PROCESS FI		TF FOR SPECIAL ANNUAL CONTRIBUTION FROM THE GOVERNMENT OF GERMANY FQ		TF FOR SUPPLEMENTARY ACTIVITIES FB	
INCOME								
	1999	1997	1999	1997	1999	1997	1999	1997
Indicative Contributions	19.577.064 1/	13.767.634	-	-	-	-	-	-
Pledges Contributions	1.712.492 1/	1.961.231	1.943.610 1/	2.517.966	3.894.592 1/	-	3.262.681 1/	5.510.890
Received under Inter-Organization arrangements	1.385	-	-	-	-	-	-	-
Interest income	548.707	223.307	106.791	34.601	97.216	-	213.738	86.242
Miscellaneous income	20.700	12.500	-	117.287	9.562	-	-	-
TOTAL INCOME	21.860.348	15.964.672	2.050.401	2.669.854	4.001.370	-	3.476.419	5.597.132
EXPENDITURE								
Staff and other personnel costs	11.305.775	8.352.047	-	-	1.016.528	-	1.232.065	1.509.892
Travel	1.149.188	565.949	2.837.652	3.314.564	452.632	-	518.064	265.043
Contractual services	256.372	121.351	-	-	-	-	28.720	41.234
Operating expenses	804.109	675.497	99.787 2/	164.066	1.980.752	-	159.005 3/	1.671.059
Acquisitions	699.299	636.095	-	-	21.162	-	2.962	37.094
Fellowships, grants and other	1.685.708	1.050.796	-	-	10.000	-	297.433	27.200
Total direct expenditure	15.900.451	11.401.735	2.937.439	3.478.630	3.481.074	-	2.238.249	3.551.522
Programme support costs	2.067.059	1.479.584	368.895	430.893	452.540	-	283.365	434.210
TOTAL EXPENDITURE	17.967.510	12.881.319	3.306.334	3.909.523	3.933.614	-	2.521.614	3.985.732
Excess(shortfall) of income over expenditures	3.892.838	3.083.353	(1.255.933)	(1.239.669)	67.756	-	954.805	1.611.400
Prior period adjustments	33.899 4/	1.452	107.581 5/	-	-	-	12.779 6/	-
NET EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURES	3.926.737	3.084.805	(1.148.352)	(1.239.669)	67.756	-	967.584	1.611.400
Transfers(to) from other funds		971.880		2.276.786	934.384 7/	-	(915.003) 8/	483.384
Refund to donors	-	-	-	-	(363.550) 9/	-	-	-
Savings on prior period's obligations	169.126	-	588.716	-	-	-	98.301	-
RESERVES AND FUND BALANCES BEGINNING OF PERIOD	4.056.685		1.037.117				2.094.784	
RESERVES AND FUND BALANCES END OF PERIOD	8.152.548	4.056.685	477.481	1.037.117	638.590		2.245.666	2.094.784

The accompanying notes are an integral part of the financial statements.

1/ The contributions received are all in convertible currencies.

2/ Including loss on exchange of US$ 89,787

3/ Including loss on exchange of US$ 58,517

4/ Representing

a) US$ 2,913 received from UNDV for PSC adjustment on prior years unliquidated obligations.
b) US$ 21,986 for PSC adjustment on 1997 savings.
c) 1996 USA contribution US$ 9,000 (UNLV506683 refers)

5/ Representing

a) US$ 38,837 received from UNDV for PSC adjustment on prior years unliquidated obligations.
b) US$ 76,533 for PSC adjustment on1997savings.

Less

c) Prior years expenditures adjustments as follows:

US$ 1,234,325.00(858)
US$ 1,410,425.00(863)
US$ 3,134,506.99(813)
US$ 2,011,506.90(598)

6/ Representing PSC adjustment on 1997 savings

7/ Representing transfer of funds from FR fund as per Mr. Beyene's memorandum dated 11 May 1998

8/ Representing transfer of funds to FQ fund - US$934,384
less transfer from ZH fund' Norway balance JPO' - US$(19,381)

9/ Representing refund of unspent balance of DM 655,245 to the German Government in relation with their 1996 special contribution of DM 2,000,000

Statement II

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Statement of assets, liabilities, and reserves and fund balances
for the biennium 1998-1999 as at 31 December 1999

(Expressed in US Dollars)

	TF FOR THE CORE BUDGET OF THE UNFCCC FC		TF FOR PARTICIPATION IN THE UNFCCC PROCESS FI		TF FOR SPECIAL ANNUAL CONTRIBUTION FROM THE GOVERNMENT OF GERMANY FQ		TF FOR SUPPLEMENTARY ACTIVITIES FR	
	1999	1997	1999	1997	1999	1997	1999	1997
ASSETS								
Cash and term deposits	8,757,365	3,080,268	1,626,285	1,332,550	1,387,239	-	2,654,746	2,111,671
Investments	-	-	-	-	-	-	-	-
Indicative contributions receivable	1,191,651	1,311,726	-	-	-	-	-	-
Inter-fund balances receivable	14,315	201,590	-	1,113,543	-	-	-	-
Other accounts receivable	648,326	974,354	15,896	800	84,669	-	83,208	162,705
Deferred charges	5,516	-	-	-	-	-	-	-
Operating funds provided to executing agencies	30,000	-	536,628	-	-	-	-	-
TOTAL ASSETS	10,647,173	5,567,938	2,178,809	2,446,893	1,471,908	-	2,737,954	2,274,376
LIABILITIES								
Inter-fund balances payable	-	-	548,292	-	54,347	-	162,566	38,507
Other accounts payable	367,097	259,306	-	279,576	-	-	167,512	18,667
Unliquidated obligations	1,712,830	1,206,726	1,153,036	1,130,200	778,971	-	162,110	122,418
Contributions/Payments received in advance	414,698	45,221	-	-	-	-	-	-
TOTAL LIABILITIES	2,494,625	1,511,253	1,701,328	1,409,776	833,318	-	492,288	179,592
RESERVES AND FUND BALANCES								
Operating reserve	-	-	286,604	94,244	273,798	-	163,857	297,105
Working Capital Reserve	689,754	528,248	-	-	-	-	-	-
Cumulative surplus (deficit)	7,462,794	3,528,437	190,877	942,873	364,792	-	2,081,809	1,797,679
TOTAL RESERVES AND FUND BALANCES	8,152,548	4,056,685	477,481	1,037,117	638,590	-	2,245,666	2,094,784
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	10,647,173	5,567,938	2,178,809	2,446,893	1,471,908	-	2,737,954	2,274,376

The accompanying notes are an integral part of the financial statements.

Schedule1.1
Page 1 of 2

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1999

(Expressed in US dollars)

Countries/Trust Funds	Pledges receivable as at 01.01.1998	Add: Pledges for 1998/99 and adj. of prior pledges	Less: Collections in1998	Less: Collections in1999	Total Collections	Pledges receivable as at 31.12.1999
I. Trust Fund for the Core Budget of the UNFCCC (FC)						
Germany	-	1,712,492	837,989	874,503	1,712,492	-
Total	-	1,712,492	837,989	874,503	1,712,492	-
II. Trust Fund for Participation in the UNFCCC Process (FI)						
Denmark	-	40,000	40,000	-	40,000	
European Community	-	82,734	82,734	-	82,734	-
Germany	-	246,132	120,787	125,345	246,132	-
Greece	-	20,000	10,000	10,000	20,000	-
New Zealand	-	8,604	8,604	-	8,604	-
Norway	-	73,497	26,930	46,567	73,497	-
Sweden	-	60,000	60,000	-	60,000	-
Switzerland	-	21,898	-	21,898	21,898	-
United Kingdom	-	326,745	165,630	161,115	326,745	-
United States	-	1,064,000	500,000	564,000	1,064,000	-
Total	-	**1,943,610**	**1,014,685**	**928,925**	**1,943,610**	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1999

(Expressed in US dollars)

Countries/Trust Funds	Pledges receivable as at 01.01.1998	Add: Pledges for 1998/99 and adj. of prior pledges	Less: Collections in1998	Less: Collections in1999	Total Collections	Pledges receivable as at 31.12.1999
III. Trust Fund for special annual contribution from the Government of Germany (FQ)						
Germany	-	3,894,592	1,949,997	1,944,595	3,894,592	-
Total	-	3,894,592	1,949,997	1,944,595	3,894,592	-
Austria	-	38,168	-	38,168	38,168	-
Bahrain	-	1,026	-	1,026	1,026	-
Canada	-	67,231	-	67,231	67,231	-
Denmark	-	60,000	-	60,000	60,000	-
France	-	11,365	11,365	-	11,365	-
Germany	-	129,932	-	129,932	129,932	-
Ireland	-	24,939	-	24,939	24,939	-
Japan	-	235,000	75,000	160,000	235,000	-
Monaco	-	1,000	-	1,000	1,000	-
Netherlands	-	93,898	15,000	78,898	93,898	-
New Zealand	-	10,500	-	10,500	10,500	-
Norway	-	50,000	50,000	-	50,000	-
Sweden	-	24,545	24,545	-	24,545	-
Switzerland	-	159,914	108,819	51,095	159,914	-
United Kingdom	-	57,339	16,262	41,077	57,339	-
United States	-	2,278,651 1/	1,369,927	908,724	2,278,651	-
Total	-	3,262,681	1,670,918	1,591,763	3,262,681	-
Grand Total	-	**10,813,375**	**5,473,589**	**5,339,786**	**10,813,375**	-

1/ Including 1995 USA contribution for US$ 186,500 (US$ 125,000 and US$ 61,500) received from UNNY in 1998.

The accompanying notes are an integral part of the financial statements.

Schedule1.2
Page 1 of 7

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	Indicative Contributions receivable as at 01.01.1998	Add: Indicative contributions for 1998/1999 and adjustment of prior periods	Add: Indicative Contributions Received in Advance	Less: Collections in1998	Less: Collections in1999	Total Collections	Indicative Contributions receivable as at 31.12.1999
Albania	639	565	-	-	1,104	1,104	100
Algeria	21,846	19,554	-	12,011	15,000	27,011	14,389
Antigua and Barbuda	-	377	1,536	1,149	764	1,913	-
Argentina	29,780	171,196	-	29,780	64,768	94,548	106,428
Armenia	-	3,421	-	-	-	-	3,421
Australia	-	278,096	-	278,035	102,308	380,343	-
Austria	-	176,661	-	74,253	102,404	176,657	4
Azerbaijan	16,384	7,348	-	-	-	-	23,732
Bahamas	2,731	2,825	5,250	1,484	9,322	10,806	-
Bahrain	-	3,285	-	2,220	-	2,220	1,065
Bangladesh	1,365	1,883	-	-	-	-	3,248
Barbados	1,365	1,506	-	761	1,383	2,144	727
Belgium	67,190	207,077	-	67,190	92,481	159,671	114,596
Belize	-	196	-	-	-	-	196
Benin	750	377	780	1,907	-	1,907	-
Bhutan	-	196	953	1,149	-	1,149	-
Bolivia	1,365	1,402	-	1,513	-	1,513	1,254
Botswana	-	1,883	42	1,149	776	1,925	-
Brazil	-	280,477	87	-	280,564	280,564	-
Bulgaria	6,006	5,771	3,765	9,801	5,741	15,542	-
Burkina Faso	-	377	-	-	-	-	377
Burundi	563	196	-	-	-	-	759
Cambodia	1,211	196	-	-	-	-	1,407
Cameroon	1,365	2,532	-	-	-	-	3,897
Canada	-	524,500	-	265,431	259,069	524,500	-
Cape Verde	1,365	296	-	-	-	-	1,661
Central African Republic	1,365	277	-	-	-	-	1,642

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) Member States	Indicative Contributions receivable as at 01.01.1998	Add: Indicative contributions for 1998/1999 and adjustment of prior periods	Add: Indicative contributions received in advance	Less: Collections in1998	Less: Collections in1999	Total Collections	Indicative Contributions receivable as at 31.12.1999
Chad	1,365	196	-	-	-	-	1,561
Chile	-	23,146	-	6,828	-	6,828	16,318
China	-	177,117	-	75,985	101,087	177,072	45
Colombia	(1,274)	20,438	2,597	-	21,761	21,761	-
Comoros	1,365	196	-	-	-	-	1,561
Congo	(652)	1,945 1/	-	-	-	-	1,293
Congo, Democratic Rep. of	-	1,402	-	-	-	-	1,402
Cook Islands	1,365	196	-	-	1,561	1,561	-
Costa Rica	1,365	3,097	-	-	-	-	4,462
Côte d'Ivoire	1,365	1,947	-	-	-	-	3,312
Croatia	6,756	8,466	41	6,756	8,507	15,263	-
Cuba	-	5,992	-	3,191	-	3,191	2,801
Cyprus	-	6,402	34	6,436	-	6,436	-
Czech Republic	-	26,831	2,025	28,856	-	28,856	-
Denmark	-	129,761	-	61,270	68,466	129,736	25
Djibouti	-	196	-	-	-	-	196
Dominica	1,365	196	-	-	-	-	1,561
Dominican Republic	-	1,592	-	-	-	-	1,592
Ecuador	2,730	3,934	-	-	4,585	4,585	2,079
Egypt	-	12,575	-	-	-	-	12,575
El Salvador	1,211	2,259	-	-	-	-	3,470
Eritrea	(1,149)	196	953	-	-	-	-
Estonia	-	3,499	128	3,627	-	3,627	-
Ethiopia	1,365	1,214	-	-	-	-	2,579
European Community	-	489,271	-	287,210	202,061	489,271	-
Fiji	-	753	16	-	769	769	-
Finland	-	101,707	23,161	68,532	56,336	124,868	-

Schedule1.2
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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	Total Collections	**Indicative Contributions receivable as at 31.12.1999**
France	-	1,227,440	-	547,932	679,508	1,227,440	-
Gabon	-	1,559	-	-	-	-	1,559
Gambia	1,365	196	-	-	1,561	1,561	-
Georgia	7,664	6,867	-	-	-	-	14,531
Germany	-	1,831,586	1	773,671	1,057,916	1,831,587	-
Ghana	365	1,571	7	-	1,943	1,943	-
Greece	-	67,519	-	20,000	20,000	40,000	27,519
Grenada	1,365	196	-	-	-	-	1,561
Guatemala	-	3,473	-	-	-	-	3,473
Guinea	1,365	565	-	-	-	-	1,930
Guinea-Bissau	1,313	196	-	-	-	-	1,509
Guyana	1,365	196	-	-	-	-	1,561
Haiti	-	377	-	-	-	-	377
Honduras	1,313	649	-	-	-	-	1,962
Hungary	-	22,509	-	15,537	-	15,537	6,972
Iceland	-	6,025	25	3,328	2,722	6,050	-
India	23,271	56,800	-	49,747	30,248	79,995	76
Indonesia	-	33,715	-	15,537	-	15,537	18,178
Iran, Islamic Republic of	39,244	45,618	-	-	-	-	84,862
Ireland	-	42,089	2,303	21,093	23,299	44,392	-
Israel	-	63,605	-	-	49,757	49,757	13,848
Italy	380,855	1,019,505	-	814,741	575,608	1,390,349	10,011
Jamaica	-	1,129	5,860	-	6,989	6,989	-
Japan	-	3,593,503	67,436	-	3,660,939	3,660,939	-
Jordan	-	1,298	25	-	1,323	1,323	-
Kazakhstan	27,307	17,320	-	-	-	-	44,627
Kenya	-	1,318	-	-	-	-	1,318

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Kiribati	-	196	-	-	-	-	196
Korea, Democratic People's Republic of	6,826	4,589	-	-	-	-	11,415
Korea, Republic of	-	183,855	104,596	81,324	207,127	288,451	-
Kuwait	-	26,917	-	16,216	-	16,216	10,701
Lao People's Democratic Republic	207	196	953	1,356	-	1,356	-
Latvia	(9,156)	6,375	2,781	-	-	-	-
Lebanon	1,365	3,013	-	4,311	-	4,311	67
Lesotho	(798)	377	421	-	-	-	-
Liechtenstein	-	1,045	25	-	1,070	1,070	-
Lithuania	-	6,083	2,796	8,879	-	8,879	-
Luxembourg	-	12,634	-	6,298	6,297	12,595	39
Libyan Arab Jamahiriya	-	4,301	-	-	-	-	4,301
Macedonia, Former Yugoslav Rep. of	-	416	-	-	-	-	416
Madagascar	-	107	-	-	-	-	107
Malawi	1,365	377	-	600	565	1,165	577
Malaysia	-	32,877	-	15,538	-	15,538	17,339
Maldives	-	196	953	1,149	-	1,149	-
Mali	1,365	461	-	-	-	-	1,826
Malta	423	2,636	-	1,553	-	1,553	1,506
Marshall Islands	-	196	196	-	392	392	-
Mauritania	1,365	196	-	-	-	-	1,561
Mauritius	-	1,694	1,297	1,149	1,842	2,991	-
Mexico	85,818	181,220	-	40,832	188,437	229,269	37,769
Micronesia	-	196	688	884	-	884	-

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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative Contributions received in advance**	**Less: Collections In 1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Moldova, Republic of	11,538	5,498	-	-	-	-	17,036
Monaco	639	669	480	1,788	-	1,788	-
Mongolia	-	377	968	1,153	192	1,345	-
Morocco	(1,222)	7,719	21	-	6,518	6,518	-
Mozambique	1,365	277	872	2,514	-	2,514	-
Myanmar	-	1,590	34	1,149	475	1,624	-
Namibia	-	1,318	431	1,749	-	1,749	-
Nauru	-	196	-	-	-	-	196
Nepal	1,365	753	-	-	-	-	2,118
Netherlands	-	306,065	-	135,490	170,571	306,061	4
New Zealand	(26,636)	41,608	-	14,926	-	14,926	46
Nicaragua	648	277	-	649	-76	573	352
Niger	1,365	377	-	-	-	-	1,742
Nigeria	-	10,062	13,830	-	23,892	23,892	-
Niue	-	196	283	479	-	479	-
Norway	-	114,426	-	114,387	-	114,387	39
Oman	-	9,517	-	9,515	-	9,515	2
Pakistan	3,734	11,193	-	-	4,458	4,458	10,469
Panama	-	2,701	483	-	3,184	3,184	-
Papua New Guinea	-	1,318	29	1,149	198	1,347	-
Paraguay	1,365	2,636	-	-	-	-	4,001
Peru	4,504	17,042	-	9,622	11,890	21,512	34
Philippines	8,192	14,809	-	8,192	-	8,192	14,809
Poland	-	42,685	15,457	36,624	21,518	58,142	-
Portugal	-	74,377	-	-	-	-	74,377
Qatar	-	6,213	10	-	6,223	6,223	-
Romania	20,480	15,568	-	16,670	19,331	36,001	47

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Russian Federation	278,979	396,900	11,221	12,000	675,100	687,100	-
Rwanda	-	129	-	-	-	-	129
Saint Kitts and Nevis	-	196	953	1,149	-	1,149	-
Saint Lucia	639	196	1,906	1,788	953	2,741	-
Saint Vincent and the Grenadines	500	196	-	-	-	-	696
Samoa	-	196	-	196	-	196	-
San Marino	1,365	377	772	2,514	-	2,514	-
Saudi Arabia	98,785	109,238	-	-	-	-	208,023
Senegal	1,365	1,129	-	-	-	-	2,494
Seychelles	-	377	557	934	-	934	-
Sierra Leone	1,365	196	-	-	-	-	1,561
Singapore	3,503	32,378	-	19,041	16,820	35,861	20
Slovakia	-	8,524	632	9,156	-	9,156	-
Slovenia	5,274	11,400	21	13,024	3,671	16,695	-
Solomon Islands	1,365	196	-	-	1,561	1,561	-
South Africa	2,255	68,824	65	38,047	33,097	71,144	-
Spain	-	485,926	33	203,128	282,831	485,959	-
Sri Lanka	-	2,344	-	-	-	-	2,344
Sudan	1,365	1,486	-	-	-	-	2,851
Suriname	-	753	-	-	-	-	753
Swaziland	743	377	772	1,892	-	1,892	-
Sweden	-	205,356	25,061	104,764	125,653	230,417	-
Switzerland	-	228,755	7	103,271	125,491	228,762	-
Syrian Arab Republic	-	11,881	-	-	-	-	11,881
Tajikistan	-	520	-	-	-	-	520
Thailand	-	30,682	-	-	30,626	30,626	56

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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of indicative contributions unpaid as at 31 December 1999

(Expressed in US Dollars)

Trust Fund for the Core Budget of the UNFCCC (FC) **Member States**	**Indicative Contributions receivable as at 01.01.1998**	**Add: Indicative contributions for 1998/1999 and adjustment of prior periods**	**Add: Indicative contributions received in advance**	**Less: Collections in1998**	**Less: Collections in1999**	**Total Collections**	**Indicative Contributions receivable as at 31.12.1999**
Togo	1,365	277	-	-	-	-	1,642
Tonga	-	118	-	-	-	-	118
Trinidad and Tobago	-	3,285	-	-	-	-	3,285
Tunisia	(3,334)	5,271	-	-	-	-	1,937
Turkmenistan	-	2,097	-	-	-	-	2,097
Tuvalu	1,365	196	-	-	-	-	1,561
Uganda	1,365	753	1,447	3,565	-	3,565	-
Ukraine	35,658	88,582	-	-	52,913	52,913	71,327
United Arab Emirates	23,022	33,428	-	44,109	-	44,109	12,341
United Kingdom	-	957,140	-	589,874	367,246	957,120	20
United Republic of Tanzania	1,006	649	-	-	-	-	1,655
United States of America	-	4,892,700	-	2,209,875	2,682,825	4,892,700	-
Uruguay	5,462	9,122	-	3,003	6,905	9,908	4,676
Uzbekistan	-	10,341	4,072	14,413	-	14,413	-
Vanuatu	1,365	196	-	-	-	-	1,561
Venezuela	21,240	38,115	-	-	-	-	59,355
Viet Nam	1,365	1,571	-	2,209	727	2,936	-
Yemen	1,109	1,883	-	-	-	-	2,992
Yugoslavia	634	8,595	-	-	-	-	9,229
Zambia	1,365	461	-	-	-	-	1,826
Zimbabwe	639	1,694	303	1,788	848	2,636	-
Total	**1,266,505**	**19,578,444** 1/	**414,698**	**7,473,995**	**12,594,001**	**20,067,996**	**1,191,651**

1/ This amount represents1998 and 1999 indicative contributions of US$ 8,757,717 and US$ 10,819,347 respectively, plus 1997 Congo indicative contribution adjustment of US$1,380,amount inadvertently recorded in that year as contributions received. This adjustment is made in order to show Congo unpaid contributions of US$981 (US$728 for 1997).

The accompanying notes are an integral part of the financial statements.

Schedule 1.3

UNITED NATIONS FRAMEWORK CONVENTION
ON CLIMATE CHANGE
Details of Subventions
for the biennium 1998-1999 as at 31 December 1999

(Expressed in US dollars)

Fund Code	Donor		Amount
FC	UNEP		1,385
		Total:	**1,385**

Statement III

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Statement of cash flows for 1999 as at 31 December 1999
(Expressed in United States dollars)

	FC		FI		FQ		FR	
	1999	**1997**	**1999**	**1997**	**1999**	**1997**	**1999**	**1997**
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net excess (shortfall) of income over expenditures (Statement I)	3,926,737	3,084,805	-1,148,352	-1,239,669	67,756		967,584	1,611,400
(Increase) decrease in contributions receivable	120,075	-1,311,726						
(Increase) decrease in other accounts receivable	326,028	-974,354	-15,096	-800	-84,669		79,497	-162,705
(Increase) decrease in other assets	-35,516		-536,628					
Increase(decrease) in accounts payable	107,791	259,306	-279,576	279,576			148,945	18,667
Increase(decrease) in unliquidated obligations	506,104	1,206,726	22,836	1,130,200	778,971		39,692	122,418
Increase(decrease) in other liabilities	369,477	45,221						
Less: Interest income received	-548,707	-223,307	-106,791	-34,601	-97,216		-213,738	-86,242
Net cash from Operating Activities	**4,771,989**	**2,086,671**	**-2,063,607**	**134,706**	**664,842**		**1,021,980**	**1,503,538**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:								
(Increase) decrease in inter-fund balances receivable	187,275	-201,590	1,113,543	-1,113,543				
Increase(decrease) in inter-fund balances payable			548,292		54,347		124,059	38,507
Plus: Interest income received	548,707	223,307	106,791	34,601	97,216		213,738	86,242
Net cash from Investing and Financing Activities	**735,982**	**21,717**	**1,768,626**	**-1,078,942**	**151,563**		**337,797**	**124,749**
CASH FLOWS FROM OTHER SOURCES:								
Savings on prior periods' obligations	169,126		588,716				98,301	
Other adjustments to fund balance		971,880		2,276,786	570,834		-915,003	483,384
NET CASH FROM OTHER SOURCES	169,126	971,880	588,716	2,276,786	570,834		-816,702	483,384
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	5,677,097	3,080,268	293,735	1,332,550	1,387,239		543,075	2,111,671
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	3,080,268		1,332,550				2,111,671	
CASH AND TERM DEPOSITS AT END OF PERIOD	8,757,365	3,080,268	1,626,285	1,332,550	1,387,239		2,654,746	2,111,671

The accompanying notes are an integral part of the financial statements.

Schedule IV

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

The Core Budget: Status of expenditures against budget
for the biennium 1998-1999 as at 31 December 1999
(Expressed in US Dollars)

Budget Classification	Approved Unobligated Budget	Expenditures			Balance
		Disbursements	Unliquidated Obligations	Total	
Executive Direction and Management	1,107,245	1,027,936	19,363	1,047,299	59,946
Implementation, Direction and Management	1,286,017	1,100,115	16,009	1,116,124	169,893
Implementation Process	998,559	1,077,374	26,395	1,103,769	(105,210)
Annex 1 Implementation	1,493,443	1,374,088	35,624	1,409,712	83,731
Non-Annex 1 Implementation	856,525	744,167	86,702	830,869	25,656
Science & Technology Direction and Management	1,789,041	1,625,586	56,554	1,682,140	106,901
Methodology and Science	1,219,973	885,576	201,434	1,087,010	132,963
Technology	414,140	281,248	8,972	290,220	123,920
Cooperative Implementation	845,111	751,048	24,427	775,475	69,636
Conference and Information Support Direction and Management	1,157,676	979,445	54,517	1,033,962	123,714
Conference Support	787,681	701,985	86,355	788,340	19,341
Information Support	1,873,115	1,073,509	561,762	1,635,271	237,844
Resources, Planning and Coordination and Management	1,387,291	1,347,989	16,902	1,364,891	22,400
Administration	2,327,499	1,217,555	537,814	1,755,369	572,130
Total	**17,543,316**	**14,187,621**	**1,712,830**	**15,900,451**	**1,642,865**

The accompanying notes are an integral part of the financial statements.

V. NOTES TO THE FINANCIAL STATEMENTS

Note 1. The Climate Change Secretariat and its activities

1. The secretariat of the United Nations Framework Convention on Climate Change was established on 1 January 1996 with the following purposes:

a) To make arrangements for session of the Conference of the Parties (COP) and its subsidiary bodies established under the Convention and to provide them with services as required;

b) To compile and transmit reports submitted to it;

c) To facilitate assistance to the Parties, particularly developing country Parties, on request, in the compilation and communication of information required in accordance with the provisions of the Convention;

d) To prepare reports on its activities and present them to the Conference of the Parties;

e) To ensure the necessary coordination with the secretariats of other relevant international bodies;

f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions; and

g) To perform the other secretariat functions specified in the Convention and in any of its protocols and such other functions as may be determined by the Conference of the Parties.

Note 2. Summary of significant accounting policies of UNFCCC

1. The entire budget of the secretariat is funded by the State Parties to the Convention. During the 1998-1999 biennium, the secretariat administered the following four trust funds:

- The Trust Fund of the Core Administrative Budget
- The Trust Fund for Participation in the UNFCCC Process
- The Trust Fund for Supplementary Activities
- The Trust Fund for Special Annual Contributions from the Government of Germany (Bonn Fund)

2. All the trust funds are established by the Secretary-General of the United Nations at the request of the Executive Secretary upon the approval of the Conference of the Parties.

3. Under the financial procedures adopted by the Conference of the Parties, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to incur obligations and make payments for the purposes for which the appropriations were approved.

4. For the biennium 1998-1999, the COP approved a core budget of US$ 21.3 million, out of which the equivalent of DM 3 million was paid by the host Government. The remaining amount is raised by all Parties, which are invited to make contributions based on the United Nations scale of assessment.

5. The Parties are also invited to make voluntary contributions to the trust funds for Participation and Supplementary Activities to meet the requirements estimated at $ 4.6 million and $ 4.15 million, respectively for the same biennium. The COP does not approve a budget limit for these trust funds.

6. The Executive Secretary issues allotments by objects of expenditure for activities under the Conventions budget within the available resources.

7. According to the arrangements established by the Under-Secretary-General for Administration and Management of the United Nations, the financial and accounting services of the secretariat are provided by UNOG applying the Financial Regulations and Rules of the United Nations, as adopted by the General Assembly, the rules formulated by the Secretary-General for Administration and Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Co-ordination (ACC). The General Assembly has taken note of these standards in its resolution 48/216 C of 23 December 1993. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

8. Fund accounting. The UNFCCC accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the Conference of the Parties or the Executive Secretary. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund.

9. The financial period of UNFCCC comprises of a biennium.

10. Income of the UNFCCC is recognized on the basis of paid contributions. The secretariat does not regard the indicative amounts as assets, as implied in the financial statement prepared by UNOG.

11. Translation of currencies. The accounts of the UNFCCC are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation significantly different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

12. The UNFCCCs financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

13. Cash and investments. Funds on deposit in interest-bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

14. Fixed assets. Maintenance and repairs are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the UNFCCC. Acquisitions are charged against budgetary accounts in the year of purchase.

15. The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions. The term "expenditure" designates total obligations incurred whether liquidated or unliquidated.

16. Miscellaneous income:

(i) The net income realized from the revenue-producing activities is reported as miscellaneous income;

(ii) Refunds of expenditures charged to the prior financial periods are credited to miscellaneous income;

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iv) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is charged to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

17. The trust fund statements reflect the "clean surplus theory" by processing adjustments through the current income and expenditure accounts. Material adjustments for prior periods are, however, shown in the financial statements below the results of the current period so as not to distort them.

18. Income tax refund policy. The UNFCCC salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

19. Unliquidated obligations for the current biennium in respect of UNFCCC remain valid for 12 months following the end of the biennium to which they relate.

20. All contributions are deposited with the United Nations Office at Geneva.

21. The UNFCCC operates an imprest account in Deutsche Marks to cover its expenditures in Bonn, and submits its report to UNOG on a monthly basis.

22. On a monthly basis, UNOG provides the Executive Secretary with information on the status of allotments, trial balance and unliquidated obligations. The final accounts are submitted to the Executive Secretary for certification and submission to the Board of External Auditors and reporting to the Conference of the Parties.

23. The United Nations retains 13% of the actual expenditures of all the established trust funds for programme support costs. Under the present arrangement, the programme support funds are used, in part, for financing the administrative unit of the secretariat.

VI. REPORT OF THE UNITED NATIONS BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE FOR THE PERIOD ENDED 31 DECEMBER 1999

SUMMARY

The Board of Auditors has reviewed the operations for the United Nations Framework Convention on Climate Change (UNFCCC). The Board also audited the financial statements of UNFCCC for the biennium ended 31 December 1999, and conducted a management review of UNFCCC's procurement, consultancy contracting, inventory control and administrative responsibilities.

The Board's main findings are:

(a) UNFCCC had not disclosed in the notes to the financial statements the value and method of valuation of non-expendable equipment, nor the amount of liability for end-of-service benefits, post-retirement benefits and annual leave;

(b) One master-listing of participants to Conference of the Parties, which supported payments accounting to $188,751, was missing and, despite recovery attempts, UNFCCC had not located the document;

(c) Authorizing officers continued to be involved in functions which should be performed independently by the procurement staff;

(d) Operating divisions within the secretariat do not prepare procurement plans giving details of anticipated purchases, the timing of the purchase, the delivery date required and estimated cost;

(e) Fifty seven per cent of contracts for consultancies and individual contractors examined by the Board had been awarded on a single source basis.

The Board made recommendations to improve the disclosure of liabilities, strengthen compliance with established rules and procedures on procurement and consultancies, and clarify the division of administrative responsibilities between UNFCCC and UNOG.

A list of all the main recommendations is presented in paragraph 8 of the Board's report.

A. INTRODUCTION

1. The Board of Auditors has audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the period 1 January 1998 to 31 December 1999, in accordance with decision 15/CP1 of the Conference of the Parties. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1998 to 31 December 1999 had been incurred for the purposes approved by the governing body; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFCCC presented fairly the financial position as at 31 December 1999. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration of UNFCCC. In 1999, the Board examined UNFCCC's financial controls over procurement, consultancy contracting, inventory control and planned changes to UNFCCC's administrative responsibilities.

4. The Board reported the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the secretariat whose views, where appropriate, have been reflected in the present report.

6. The Board's main recommendations are presented in paragraph 8 below. The detailed findings are in paragraphs 10 to 59.

ACTION TAKEN ON PREVIOUS RECOMMENDATIONS

7. The Board carried out a review of the measures taken by UNFCCC in response to the recommendations made by the Board in its audit report for the financial period ended 31 December 1997. Details of the actions taken and the comments of the Board are set out in the annex to the present report.

MAIN RECOMMENDATIONS

8. The Board recommends that:

(a) UNFCCC should disclose in notes to the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave (paras. 10 and 11);

(b) Following each conference, the secretariat should ensure that it obtains proper accounting records of conference payments, including signed receipts for payments; confirmation that proof of identification was provided by the payees; and a record of any non-attendance on the participant register. (para. 15);

(c) UNFCCC should regularly review unliquidated obligations to retain only those related to valid charges and to release resources by promptly cancelling obligations which are no longer valid (para. 19).

(d) The secretariat should ensure that the Memorandum of Understanding agreed between UNFCCC and United Nations Office at Geneva (UNOG) clearly sets out the respective requirements of both parties to achieve prompt, cost efficient services. It should establish:

(i) Standard information that UNOG requires to enable the timely provision of common services;

(ii) Clearly defined performance indicators, including response times for the services to be provided on receipt of this information; and,

(iii) Procedures for joint monitoring of service provision (para. 25);

(e) The secretariat should take action to discontinue involvement of authorizing officers in preparing requests for bids, a function which must be performed independently by the Procurement Unit (para. 35);

(f) The authorizing officer in each operating division should prepare plans for anticipated purchases, which should be submitted to the Procurement Unit in order to benefit from economies of scale through bulk purchasing (para. 39);

(g) The secretariat should ensure that UNFCCC require justification for proposals to contract consultants on a single source basis; terms of reference should set out the quantity and quality of outputs expected, including target dates and performance indicators; and the qualifications of candidates should be verified and evidenced on file (para. 51);

(h) UNFCCC and the United Nations Office at Geneva should reach a clear understanding on responsibility for the accuracy and completeness of the secretariat's financial records and of the financial statements presented to the Conference of the Parties (para. 58).

9. The Board's other recommendations are shown in paragraphs 12, 33, 37, 42 and 43.

B. FINANCIAL ISSUES

UNITED NATIONS ACCOUNTING STANDARDS

10. The Board assessed the extent to which UNFCCC's financial statements for the biennium ended 31 December 1999 conform to the United Nations Accounting Standards. The Board confirmed that UNFCCC had generally applied the revised accounting standards for the financial period ended 31 December 1999, except that the value and method of valuation of non-expendable property were not disclosed in the notes to the accounts as required by paragraph 49 of the United Nations Accounting Standards. In November 1999, the secretariat completed UNFCCC's first full inventory of equipment. In the absence of an inventory valuation in the notes to the financial statements, the Board notes that the purchase price of property and equipment recorded in UNFCCC's inventory in March 2000 totalled $1.5 million; and included items obtained from 1996 to March 2000. The Board recommends that UNFCCC disclose in a note to the financial statements the value and method of valuation of non-expendable property.

11. UNFCCC had not made specific disclosure in the financial statements of the amount of liability for end-of-service benefits, post-retirement benefits and annual leave, indicating the basis of valuation, as required under paragraph 57. The Board recommends that UNFCCC disclose in the notes to the financial statements the value and method of valuation of liability for end-of -service benefits, post-retirement benefits and annual leave, in compliance with United Nations Accounting Standards.

12. The Board also noted that UNFCCC had not provided an ageing analysis of the indicative contributions unpaid as at 31 December 1999, as required under paragraph 48. The Board recommends that UNFCCC routinely disclose an ageing analysis of outstanding indicative contributions in its financial statements.

FINANCIAL CONTROLS OVER CONFERENCE EXPENDITURE

13. UNFCCC maintains financial control over payments to participants at Conferences of the Parties by verifying the identity of the participant before making payment of allowances and travel claims. The recipients sign for the payments on a master listing prepared prior to the conference. UNFCCC held its third Conference of the Parties in Japan (COP 3) in December 1997. The Board found that one master-listing, which supported payments amounting to $188,751, was missing and, despite recovery attempts, UNFCCC has not located the document. The Board is concerned that missing vouchers or inadequate documentation weaken internal financial controls and could indicate that funds were not properly used.

14. Statement II of UNFCCC's financial statements includes an amount of $536,628 shown as funds advanced to an executing agency. This relates to an advance made to the United Nations Development Programme (UNDP) to make payments on its behalf to participants for its

fourth conference, COP 4, in Buenos Aires in November 1998. UNFCCC supplied a list of authorized advances for UNDP to pay the participants. The Board raised concerns that in October 1999, UNFCCC had not obtained the signed master-listing and other supporting documents for expenditure of approximately US$ 600,000. In response to these concerns, UNFCCC eventually obtained the information from UNDP in Buenos Aires in March 2000, 16 months after the conference.

15. ***The Board recommends that following each conference the secretariat ensure that it obtains proper accounting records of conference payments, including signed receipts for payments; confirmation that proof of identification was provided by the payees; and a record of any non-attendance on the participant roster.***

16. In response to the Board's recommendation, the secretariat strengthened controls over payments made to conference participants to COP 5, held in Bonn in October 1999. The Board found a full listing of COP 5 signatures for payments made to participants with supporting documentation that included cancelled cheques which the secretariat had originally prepared for participants who subsequently did not attend the conference.

FINANCIAL POSITION

17. Statement II shows that UNFCCC's combined reserves and fund balances increased by US$ 4.3 million, from US$ 7.2 million to US$ 11.5 million during 1998-1999. Statement I indicates that this increase mainly arose because the reserves of the Trust Fund for the Core Budget increased from US$ 4 million at the end of 1997 to US$ 8.1 million at the end of 1999. These reserves included working capital of US$ 1.5 million set by Conference of the Parties decision 16/CP.2 at 8.3 per cent of the budget of the Core Fund, which statement IV shows as US$ 17.5 million. As also shown in the Statement, UNFCCC underspent this budget by US$ 1.6 million, mainly because a number of posts remained vacant for extended periods.

18. The Trust Fund for the Participation in the UNFCCC Process had a shortfall of income over expenditure of US$ 1.3 million. After prior period savings and adjustments, this shortfall reduced reserves from US$ 1 million at December 1997 to US$ 478,000 at December 1999. The Board noted, however, that the cancellation of 1996-1997 obligations at the end of December 1998 in accordance with United Nations Regulation 4.4 provided prior period savings of US$ 588,716 thus restoring, in part, the shortfall.

19. Statement II shows outstanding unliquidated obligations of $1.2 million for the Participation Trust Fund at the end of December 1999, representing 39 per cent of the expenditure (US$ 2.9 million) reported in statement I. ***The Board recommends that UNFCCC regularly review unliquidated obligations to retain only those related to valid charges and to release resources by promptly cancelling obligations which are no longer valid.***

20. Although indicative contributions increased from US$ 13.8 million during 1996-1997 to US$ 19.6 million during 1998-1999, outstanding contributions fell from US$ 1.3 million (9 per cent) to US$ 1.2 million (6 per cent). This was partly a result of the payment of arrears by

Member States and partly the receipt of advance contributions for 2000-2001 amounting to US$ 415,000.

21. Statement II shows assets at December 1999 totalling 17.5 million (10.3 million in 1997), and liabilities amounting to US$ 5.5 million (US$ 3.1 million in 1997). While the value of assets was 3.1 times the value of liabilities (3.3 in 1997), cash and term deposits increased by US$ 7.9 million from US$ 6.5 million to $14.4 million. As a result, the ratio by which cash and term deposits are available to cover liabilities increased from 2.1:1 to 2.61:1.

ADMINISTRATIVE SUPPORT FROM THE UNITED NATIONS OFFICE AT GENEVA

22. During 1998-1999, the United Nations Office at Geneva (UNOG) provided UNFCCC with administrative, financial, personnel and some procurement functions. In management letters during the period, the Board drew attention to delays in recording local currency payments made by UNFCCC in Bonn in the expenditure records in UNOG. These delays generally resulted from staffing problems; UNFCCC not supplying full documentation required by UNOG to process transactions; and recording delays within UNOG.

23. UNFCCC sent monthly transaction listings of the imprest account to UNOG to record and return an updated status of allotment indicating funds available. In August 1999, the Board found that UNOG had not recorded payroll and other expenditure from the Bonn imprest account for the three months April -June 1999, amounting to US$ 1,695,293, thus preventing UNFCCC from effectively monitoring available funding.

24. UNFCCC has decided to assume responsibility for the administration of personnel and travel before the end of 2000, but to defer the transfer of financial responsibility for other expenditure pending a review of financial staffing. In the meantime, UNOG and UNFCCC have agreed to establish a Memorandum of Understanding to cover the services provided by UNOG.

25. ***The Board recommends that the Memorandum of Understanding agreed between UNFCCC and UNOG should clearly set out the respective requirements of both parties to achieve prompt, cost efficient services. It should establish:***

(a) Standard information required by UNOG to enable the timely provision of common services;

(b) Clearly defined performance indicators, including response times for the services to be provided; and,

(c) Procedures for joint monitoring of service provision.

WRITE-OFF OF LOSSES OF CASH, RECEIVABLES AND PROPERTY

26. No cases were reported to the Board.

EX-GRATIA PAYMENTS

27. No cases were reported to the Board.

C. MANAGEMENT ISSUES

PROCUREMENT

Introduction

28. The permanent secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) was established on 1 January 1996. Since then, UNFCCC's administrative and financial functions have been performed partly by its secretariat and partly by the United Nations Office at Geneva (UNOG). This arrangement, proposed in 1995 by the Secretary-General of the United Nations, was provisionally accepted by the Conference of the Parties (COP) at its first session.

29. The respective administrative and financial responsibilities of the UNFCCC secretariat and UNOG, as well as the associated delegations of authority, are specified in the two memoranda, issued in 1995 and 1996, by the Under-Secretary-General for Management to the Executive Secretary of the UNFCCC. Under these arrangements, UNFCCC's Executive Secretary had authority to approve individual procurement transactions up to US$ 50,000 without reference to the UNOG Committee on Contracts. This was increased to US$ 150,000 with effect from May 1999, in respect of a single transaction or series of related transactions on an annual basis. With effect from 1 September 1999, UNFCCC established its own Committee on Contracts.

30. UNFCCC has yet to establish a Procurement Unit due to lack of funds, and its procurement functions are therefore carried out by a Procurement Assistant and a Procurement Clerk. During 1998, the procurement staff processed purchase orders with a total value in excess of US$ 1 million. The Board's examination, based on a test check of 15 transactions, focused on procurement control procedures and the cost-effectiveness of the procurement operation.

Procurement procedures manual

31. Following its audit in January 1998, the United Nations Office of Internal Oversight Services (OIOS) reported that UNFCCC's procurement procedures, established in March 1997, did not fully comply with the provisions of the United Nations Procurement Manual. In accordance with OIOS' recommendation, UNFCCC initiated a review of its procurement procedures and reported to the fourth session of the COP in October 1998 that new guidelines would be developed.

32. The Board notes that the planned review and the development of new procurement procedure guidelines is still incomplete. According to the secretariat, lack of staff with relevant knowledge has hampered the pace of progress in completing these tasks. The secretariat is

considering recruitment of a consultant with relevant experience and skills to complete the remaining stages of the review and to prepare new procurement guidelines.

33. Absence of a complete and accurate Procurement Manual introduces the risk that irregular expenditure may be incurred either through disregard of the United Nations procurement rules or incorrect interpretation of the rules. ***The Board recommended, and the secretariat agreed, that it should produce revised procurement procedure guidelines as a matter of priority and that, before promulgation, UNOG should be consulted as regards accuracy and completeness of the guidelines.***

Segregation of procurement functions

34. Under current UNFCCC procedures, procurement staff are responsible for initiating bids on the basis of specification of goods or services provided by the authorizing officer. In the course of its audit in January 1998, OIOS observed a number of cases where the substantive offices had prepared requests for bids without consulting the procurement staff. The secretariat informed COP at its fourth session that steps had been taken to rectify the situation as regards segregation of duties.

35. The Board notes that these efforts have not been entirely successful and, as evidenced in 6 of the 15 cases examined (40 percent), authorizing officers continued to be involved in preparing requests for bids, which should be performed independently by the procurement staff. Absence of proper segregation of procurement functions introduces the risk of improper selection of suppliers. Moreover, restricting competition solely among suppliers identified by the authorizing officer can diminish the prospects of securing best value for money. ***The Board recommends that the secretariat should take action to discontinue involvement of authorizing officers in preparing requests for bids, a function which should be performed independently by the procurement staff.***

36. The secretariat informed the Board that it considered UNFCCC to be too small to have a fully segregated procurement operation, but it was formulating an internal administrative instruction outlining steps to be taken by the separate parties involved in the procurement process.

Supply requisition

37. The procurement staff should be allowed sufficient time to select and contact suppliers for price quotations and to place the order. In 5 out of 15 cases examined, the Board found that less than one week had been allowed between submission of the specification of goods or services required and placing of the order. In these cases, the procurement staff have not been able to perform the full range of procurement procedures to ensure that goods or services of appropriate quality had been purchased at the most economic price from reliable sources. ***The Board recommends that the secretariat should establish and communicate to all staff the minimum lead-times to be provided to the procurement staff to properly process purchase requisitions.***

38. The secretariat informed the Board that it intended to establish minimum lead-times for all procurement procedure steps, although it considered that rigid deadlines could not always be applied.

39. The Board also noted that operating divisions within the secretariat do not prepare procurement plans giving details of anticipated purchases, the timing of the purchase, the delivery date required and estimated cost. ***The Board recommends that each operating division should prepare plans for anticipated purchases, in order to benefit from economies of scale through bulk purchasing.***

Procurement of computer equipment

40. During the period 1997 to 1999, the secretariat purchased computer equipment at a cost of nearly US$ 800,000. As at July 1999, UNFCCC held 191 desktop computers, 198 computer monitors and 65 printers. This appeared to the Board to be a high level of computer equipment for UNFCCC's 110 staff and consultants employed within the secretariat.

41. The secretariat explained that it operates a large local Area Network which is extended to remote locations at the time of subsidiary and COP meetings and that the amount of computer equipment held does not take into account pending declarations of obsolescence.

42. ***The Board recommends that the secretariat establish an Information Technology Strategy to ensure that its future procurement of computer equipment is fully justified and undertaken in the most cost effective way.***

Roster of vendors

43. The secretariat has started development of a roster of vendors, which includes details of local suppliers drawn from UNOG's roster. UNFCCC's roster does not include details about the performance of suppliers previously used, which could assist the secretariat in determining the best source for future purchases. The Board welcomes the secretariat's efforts to enhance competitiveness through enlargement of the number of prospective suppliers. The Board recommends that the roster of vendors should include information concerning the performance of each supplier used, such as quality of goods or services provided, timeliness of delivery and back-up support.

CONSULTANTS AND INDIVIDUAL CONTRACTORS

Introduction

44. UNFCCC's Executive Secretary has authority to employ consultants, within available allotments and in consultation with UNOG as regards the level of related fees. The Executive Secretary also has authority to hire individual contractors in accordance with the relevant United Nations rules.

45. Between 1 January 1998 and 19 July 1999, a total of 125 consultants and individual contractors were commissioned by the secretariat at a total cost of some $0.8 million. The Board reviewed UNFCCC's procedures for engaging consultants and individual contractors. The review, based on a test sample of 42 contracts, focused on the operation of control procedures, as prescribed in the United Nations guidelines, and the cost-effectiveness of the procedures for obtaining the services of consultants and individual contractors.

Selection

46. In 24 of the cases examined (57 per cent), with a total value of US$ 165,343, contracts had been awarded on a single source basis. In 9 of these cases (21 per cent), UNFCCC did not provide justification to opt for single source selection. In 5 cases, with contracts totalling US$ 33,485, other candidates had not been considered on the grounds that the consultants concerned had either performed the tasks well in the past or were familiar with the work. In one case, involving US$ 9,900, the justification provided was that the consultant was the best for the job. In 4 cases, contracts totalling US$ 16,494 had been awarded after considering other candidates who had previously competed unsuccessfully against the persons awarded the contracts.

47. The Board's test examination identified six consultants and individual contractors who had been frequently hired by the secretariat. These persons had been individually awarded between three to seven contracts within a period of two years.

48. UNFCCC informed the Board that it may be counterproductive to apply arbitrary limits on re-employment or on duration of contracts, given the secretariat's intensive work programme.

49. In three cases, the Board noted that the terms of reference did not set out in sufficient detail the quantity and quality of output expected, target dates and performance indicators such as timeliness for evaluation of results. Inadequate yardsticks for assessing the quality and the timeliness of work to be delivered by consultants meant that the Board could not verify the propriety of the related payments.

50. In none of the contracts examined had UNFCCC verified the qualifications and experience of candidates and maintained evidence in the files. The United Nations guidelines provide that, prior to issuing a contract, the processing office must verify the academic and professional credentials of the selected candidate; and that to facilitate this action, the programme managers are expected to submit engagement proposals sufficiently in advance of the proposed starting dates.

51. ***The Board recommends that UNFCCC require justification for proposals to contract consultants on a single source basis; terms of reference should set out the quantity and quality of outputs expected, including target dates and performance indicators; and the qualifications of candidates should be verified and evidenced on file.***

Roster of consultants

52. The secretariat has started work on the development of a comprehensive roster of consultants to provide a wider source of potential candidates with relevant skills and qualifications. According to the secretariat, insufficient staffing resources has affected the pace of progress in completing this work.

53. The secretariat assured the Board that it is working to put in place clearer systems to govern the selection and use of consultants and individual contractors.

REVIEW OF ADMINISTRATIVE ARRANGEMENTS FOR UNFCCC

54. UNFCCC's administrative functions are currently performed partly by its secretariat in Bonn and partly by UNOG. The functions performed by UNOG include the maintenance of UNFCCC's accounting records, administration of income, payroll calculation and payments and the production of financial statements.

55. In 1998 UNFCCC, jointly with the United Nations Department of Management and UNOG, reviewed UNFCCC's administrative arrangements in order to strengthen and clarify accountability. This resulted in a joint report to the United Nations Department of Management proposing that, with certain exceptions, UNFCCC assume responsibility for all its administrative, financial, personnel and procurement functions in a phased and planned manner. The exceptions referred to included aspects, such as post classification and audit and payroll services, for which continued reliance on the United Nations, New York, and UNOG was recommended.

56. The United Nations Department of Management endorsed these proposals on the basis that the transfer of responsibilities from UNOG to UNFCCC would be effected in a phased manner taking into account UNFCCC's resources and its capacity to absorb the additional functions. Discussions between the UNFCCC secretariat and UNOG are still continuing on the phased transfer of responsibilities as approved by the United Nations Department of Management.

57. The secretariat has been considering the adoption of a computerized system to facilitate efficient and effective performance of all administrative and financial functions, including those to be transferred from UNOG. The secretariat has decided that, for the foreseeable future, the Integrated Management Information System (IMIS) is the most economic and applicable solution for UNFCCC's system needs. The reasons supporting the secretariat's decision include availability of facility for remote access, phased implementation as and when each IMIS module (personnel, finance, procurement, travel and payroll) becomes available and linking the transfer of responsibility from UNOG to the timetable for implementation of IMIS.

58. ***The Board recommends that, until transfer of all functions is complete, UNFCCC and UNOG reach a clear understanding on responsibility for the accuracy and completeness of the secretariat's financial records and of the financial statements presented to the Conference of the Parties.***

CASES OF FRAUD AND
PRESUMPTIVE FRAUD

59. No cases of fraud or presumptive fraud were reported to the Board during 1998-1999.

D. ACKNOWLEDGEMENT

60. The Board of Auditors wishes to express its appreciation for the co-operation extended by the Executive Secretary and staff of UNFCCC and by the United Nations Secretariat.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu PREMPEH
Auditor-General of Ghana

Celso D. GANGAN
Chairman, Philippine Commission on Audit

30 June 2000

Annex

Follow-up on action taken by the United Nations Framework Convention on Climate Change to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997

RECOMMENDATION 1

1. UNFCCC should, jointly with the United Nations Division of Management and UNOG, undertake the planned review of UNFCCC's administrative arrangements as a matter of priority.

Measures taken by UNFCCC

2. The planned review, involving UNFCCC secretariat and UNOG, took place in 1998. UNFCCC will assume responsibility for all its administrative, financial, personnel and procurement functions in a phased and planned manner.

Comments of the Board

3. The Board welcomes the progress of clarification of administrative arrangements and comments further in the present report.

RECOMMENDATION 2

4. UNFCCC should incorporate the procedures and operational requirements for servicing major conferences into a Conference Support Manual, which should include a checklist of key procedures.

Measures taken by UNFCCC

5. UNFCCC established a checklist in 1998, and continues to develop guidelines for a comprehensive Conference Support Manual.

Comments of the Board

6. The Board encourages UNFCCC to fully document its Conference Procedures.

RECOMMENDATION 3

7. The secretariat should establish the cost of each major conference it organizes.

Measures taken by UNFCCC

8. UNFCCC maintains records of its own expenditure for management review.

Comments of the Board

9. The Board will review UNFCCC's procedures for identifying and monitoring the costs incurred by UNFCCC on each major conference in future audits.

RECOMMENDATION 4

10. The secretariat should explore ways of increasing the response rate to post-conference evaluation questionnaires and consider how the questionnaire might be redesigned so as to provide an assessment of the secretariat's performance across the full range of its conference support work.

Measures taken by UNFCCC

11. UNFCCC continues to encourage the return of evaluation questionnaires to provide feedback on the effectiveness of the conference arrangements.

Comments of the Board

12. The Board notes UNFCCC action and looks forward to further action to broaden the scope of the questionnaire.

AUDIT OPINION

We have audited the accompanying financial statements, numbered I to III, schedules IV and 1.1 to 1.3 and the supporting notes of the United Nations Framework Convention on Climate Change for the financial period ended 31 December 1999. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with UNFCCC's stated accounting policies set out in note 2 of the financial statements which were applied on a consistent basis with that of the preceding financial period. Further, in our opinion, the transactions of UNFCCC which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of UNFCCC's financial statements.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu PREMPEH
Auditor-General of Ghana

Celso D. GANGAN
Chairman, Philippine Commission on Audit

30 June 2000

UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/SBI/2000/10
3 October 2000

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION

REPORT OF THE SUBSIDIARY BODY FOR IMPLEMENTATION ON THE WORK OF ITS THIRTEENTH SESSION (PART ONE), LYON, 11–15 SEPTEMBER 2000

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I. OPENING OF THE SESSION
(Agenda item 1)

1. The first part of the thirteenth session of the Subsidiary Body for Implementation (SBI) was held at the Palais des Congrès, Lyon, France, from 11 to 15 September 2000.

2. The opening of the session was preceded by a welcoming ceremony. Mr. Jan Szyszko, President of the Conference of the Parties, welcomed delegates to Lyon. Mr. Michael Zammit Cutajar, Executive Secretary, Mr. Lionel Jospin, Prime Minister of France, and Mr. Raymond Barre, Mayor of Lyon, addressed the delegates. The meeting observed a minute of silence in memory of Mr. Jean Ripert, the first chairman of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change and Professor Zhong Shukong, senior environmental adviser in the Ministry of Foreign Affairs of the People's Republic of China.

3. The Chairman of the SBI, Mr. John Ashe (Antigua and Barbuda), opened the formal session on 11 September. The Chairman welcomed all Parties and observers to the session. He noted that in the course of this year's negotiations, and especially during the week of informal meetings which had preceded the thirteenth session, Parties had moved from a process that was intense and diffuse, to one that was more focused and had a clearer sense of urgency. The chairmen reported that the Convention had now received a total of 184 instruments of ratification, acceptance, approval or accession, while the number of ratifications or accessions to the Kyoto Protocol had reached 23. Six new instruments of ratification, acceptance, approval or accession to the Kyoto Protocol were received during the session, raising the total number to 29.

4. At the 2nd meeting, held jointly with the Subsidiary Body for Scientific and Technological Advice (SBSTA) on 11 September 2000, speeches were delivered by Ms Margot Wallström, Commissioner for the Environment of the European Commission, and Ms Dominique Voynet, Minister for Regional Planning and the Environment of France. At the same meeting general statements were made by representatives of 11 Parties, including one speaking on behalf of the Group of 77 and China, one speaking on behalf of the European Community and its member States, and one speaking on behalf of the Environmental Integrity Group.

II. ORGANIZATIONAL MATTERS
(Agenda item 2)

A. Adoption of the agenda
(Agenda item 2 (a))

5. At its 1st meeting, on 11 September, the SBI considered the provisional agenda contained in document FCCC/SBI/2000/6.

6. The SBI adopted the following agenda:

1. Opening of the session.

2. Organizational matters:

   (a) Adoption of the agenda;
   (b) Organization of the work of the session.

3. Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol).

4. Matters relating to Article 3.14 of the Kyoto Protocol.

5. Procedures and mechanisms relating to compliance under the Kyoto Protocol.

6. Activities implemented jointly under the pilot phase.

7. Mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol.

8. Capacity-building:

   (a) Capacity-building in developing countries (non-Annex I Parties);
   (b) Capacity-building in countries with economies in transition.

9. National communications from Parties included in Annex I to the Convention: greenhouse gas inventory data from 1990 to 1998.

10. National communications from Parties not included in Annex I to the Convention:

    (a) Provision of financial and technical support;
    (b) Report of the second meeting of the Consultative Group of Experts;
    (c) Second compilation and synthesis of initial national communications from Parties not included in Annex I to the Convention.

11. Financial mechanism:

    (a) Support to the Intergovernmental Panel on Climate Change;
    (b) Report of the Global Environment Facility to the Conference of the Parties;
    (c) Other matters.

12. Venue of the seventh session of the Conference of the Parties.

13. Administrative and financial matters:

(a) Possible options to respond to late payment of contributions;
(b) Audited financial reports 1998-1999;
(c) Interim financial performance 2000;
(d) Implementation of the Headquarters Agreement.

14. Other matters.

15. Report on the session.

B. Organization of the work of the session
(Agenda item 2 (b))

7. The SBI considered this sub-item at its 1st meeting, on 11 September. It had before it the tentative schedule of meetings contained in document FCCC/SBI/2000/6, annex II. The Chairman noted that the schedule of meetings should be used as a guide to the organization of work of the SBI, but that flexibility would be required to respond to the pace of progress.

III. IMPLEMENTATION OF ARTICLE 4.8 AND 4.9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL)
(Agenda item 3)

MATTERS RELATING TO ARTICLE 3.14 OF THE KYOTO PROTOCOL
(Agenda item 4)

1. Proceedings

8. The SBI considered these items together at its 2nd and 5th meetings, held jointly with the SBSTA, on 11 and 15 September respectively. It had before it document FCCC/SB/2000/5 and Corr.1.

9. Statements were made by 12 Parties, including one speaking on behalf of the group of least developed countries, one speaking on behalf of the European Community and its member States and one speaking on behalf of the Group of 77 and China.

10. At the 2nd meeting, held jointly with the SBSTA on 11 September, Mr. Bo Kjellén (Sweden) and Mr. Abdulmuhsen Al-Sunaid (Saudi Arabia), reported on the informal meetings relating to these items which they had chaired during the pre-sessional week at the request of the chairmen of the subsidiary bodies.

11. Also at the 2nd meeting, the subsidiary bodies agreed to consider these items by way of a joint contact group. The chairmen of the subsidiary bodies appointed Mr. Kjellén and, in the absence of Mr. Mohammad Reza Salamat (Islamic Republic of Iran), Mr. Al-Sunaid to co-chair this contact group.

2. Conclusions

12. At their joint meeting on 15 September, having considered a proposal by the chairmen, the SBI and the SBSTA adopted the following conclusions:

(a) The subsidiary bodies agreed to forward the text contained in document FCCC/SBI/2000/10/Add.1 to the second part of their thirteenth sessions for further consideration. The text is presented without prejudice as to whether one or two draft decisions on agenda items 3 and 4 would be recommended to the Conference of the Parties (COP);

(b) The subsidiary bodies invited their chairmen, with the assistance of the secretariat, to convene inter-sessional consultations on these items. The subsidiary bodies decided to resume negotiations on the two agenda items at the second part of their thirteenth sessions, on the basis of the text mentioned in subparagraph (a) above, taking into account the report of the inter-sessional consultations;

(c) The subsidiary bodies, on the basis of a statement made by the group of least developed countries, requested the secretariat to organize, before the sixth session of the COP (COP 6), a workshop for these countries to enable them to discuss their specific situations, needs and concerns related to adaptation, capacity-building and development and transfer of technologies, and to formulate and refine their positions with a view to moving negotiations forward at COP 6.

IV. PROCEDURES AND MECHANISMS RELATING TO COMPLIANCE UNDER THE KYOTO PROTOCOL
(Agenda item 5)

1. Proceedings

13. The SBI considered this item at its 2nd and 5th meetings, held jointly with the SBSTA, on 11 and 15 September respectively. It had before it document FCCC/SB/2000/7.

14. Informal meetings had been conducted during the pre-sessional week under the co-chairmanship of Mr. Harald Dovland (Norway), Chairman of the SBSTA, and Mr. Tuiloma Neroni Slade (Samoa).

15. At the joint meeting on 11 September, the chairmen referred discussion of this item to the Joint Working Group on Compliance (JWG) established by decision 8/CP.4,[1] under the co-chairmanship of Mr. Dovland and Mr. Slade.

2. Conclusions

16. At the joint meeting on 15 September, the SBI and the SBSTA took note of the report of the JWG (see annex III below).

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[1] For the full texts of decisions adopted by the Conference of the Parties at its fourth session, see document FCCC/CP/1998/16/Add.1.

V. ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE
(Agenda item 6)

1. Proceedings

17. The SBI considered this item at its 2nd and 5th meetings, held jointly with the SBSTA, on 11 and 15 September respectively. It had before it document FCCC/SB/2000/6 and Add.1.

18. Statements were made by representatives of 10 Parties, including one speaking on behalf of the European Community and its member States.

2. Conclusions

19. At the joint meeting, on 15 September, the SBI and the SBSTA agreed to consider the draft revised uniform reporting format contained in document FCCC/SB/2000/6/Add.1 at their fourteenth sessions.

VI. MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL
(Agenda item 7)

1. Proceedings

20. The SBSTA considered this item at its 2nd and 5th meetings, held jointly with the SBI, on 11 and 15 September respectively. It had before it the following documents: FCCC/SB/2000/4 and FCCC/SB/2000/MISC.4 and Add.1, Add.2/Rev.1, Add.2/Rev.1/Corr.1 and Add.3.

21. Statements were made by representatives of five Parties, including one speaking on behalf of the European Community and its member States, and one speaking on behalf of the Group of 77 and China.

22. At the joint meeting on 11 September, Mr. Kok Kee Chow (Malaysia) reported on the informal meetings he had chaired on this issue during the pre-sessional week, at the request of the chairmen of the subsidiary bodies. At the same meeting, the subsidiary bodies agreed to consider this item by way of a joint contact group, chaired by Mr. Kok Kee Chow.

2. Conclusions

23. At the joint meeting on 15 September, having considered a proposal by the chairmen, the subsidiary bodies adopted the following conclusions:

(a) The subsidiary bodies considered the note by the chairmen contained in document FCCC/SB/2000/4 and took note of additional submissions by Parties contained in document FCCC/SB/2000/MISC.4 and Add.1-2, Add.2/Rev.1, Add.2/Rev.1/Corr.1 and Add.3, as well as other views expressed by Parties;

(b) The subsidiary bodies noted the progress made in implementing the work programme on mechanisms contained in decision 7/CP.4;

(c) The subsidiary bodies, recalling decision 14/CP.5,[2] agreed to forward to the second part of their thirteenth sessions the note by the chairmen of the subsidiary bodies contained in document FCCC/SBSTA/2000/10/Add.1;

(d) The subsidiary bodies invited the chairmen to further consolidate, in preparation for the second part of their thirteenth sessions, the above-mentioned note in consultation with Parties.

VII. CAPACITY-BUILDING
(Agenda item 8)

A. Capacity-building in developing countries (non-Annex I Parties)
(Agenda item 8 (a))

B. Capacity-building in countries with economies in transition
(Agenda item 8 (b))

1. Proceedings

24. The SBI considered these sub-items together at its 2nd and 5th meetings, held jointly with the SBSTA, on 11 and 15 September respectively. It had before it documents FCCC/SB/2000/8 and FCCC/SB/2000/9.

25. At the joint meeting on 11 September, the Chairman of the SBI, Mr. John Ashe (Antigua and Barbuda), reported on the informal meetings relating to these sub-items which he had chaired during the pre-sessional week.

26. At the same meeting, the subsidiary bodies agreed to consider these sub-items by way of a joint contact group co-chaired by Mr. Ashe and Mr. Jukka Uosukainen (Finland).

2. Conclusions

27. At the joint meeting on 15 September, having considered a proposal by the chairmen, the SBI and the SBSTA agreed to further consider, at the second part of their thirteenth sessions, the draft decisions on capacity-building in developing countries and countries with economies in transition, contained in documents FCCC/SBI/2000/10/Add.3 and FCCC/SBI/2000/10/Add.4 respectively, with a view to recommending draft decisions on these matters for adoption by the Conference of the Parties at its sixth session.

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[2] For the full texts of decisions adopted by the Conference of the Parties at its fifth session, see document FCCC/CP/1999/6/Add.1.

VIII. NATIONAL COMMUNICATIONS FROM PARTIES INCLUDED IN ANNEX I TO THE CONVENTION: GREENHOUSE GAS INVENTORY DATA FROM 1990 TO 1998

(Agenda item 9)

1. Proceedings

28. The SBI considered this item at its 3rd meeting, on 12 September. It had before it document FCCC/SBI/2000/11.

29. Statements were made by representatives of six Parties, including one speaking on behalf of the Group of 77 and China and one speaking on behalf of the European Community and its member States.

30. The SBI agreed to further consider, at the second part of its thirteenth session, conclusions proposed by the Chairman on this item.

2. Conclusions

31. At its 4th meeting on 15 September, the SBI requested the secretariat to further elaborate the information contained in document FCCC/SBI/2000/11 in the form of graphs and tables. This information should be available to COP 6 without prejudice to further compilation and synthesis of national communications.

IX. NATIONAL COMMUNICATIONS FROM PARTIES NOT INCLUDED IN ANNEX I TO THE CONVENTION

(Agenda item 10)

A. Provision of financial and technical support

(Agenda item 10 (a))

1. Proceedings

32. The SBI considered this sub-item at its 3rd meeting, on 12 September. It had before it document FCCC/SBI/2000/INF.7.

33. Statements were made by representatives of 13 Parties, including one speaking on behalf of the African Group and one speaking on behalf of the European Community and its member States.

34. At the 3rd meeting, the Chairman noted that, pursuant to decision 10/CP.2,[3] the secretariat makes available at each session information obtained from the secretariat of the Global Environment Facility (GEF) on the financial support provided to non-Annex I Parties for preparation of their national communications, and stated that a report would be made available for consideration by the SBI at the second part of its thirteenth session.

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[3] For the full texts of decisions adopted by the Conference of the Parties at its second session, see document FCCC/CP/1996/15/Add.1.

35. The SBI agreed to consider, at the second part of the thirteenth session, a proposal by the Chairman for the conclusions on this item.

B. Report of the second meeting of the Consultative Group of Experts
(Agenda item 10 (b))

1. Proceedings

36. At its 3rd meeting, on 12 September, the SBI decided to consider this sub-item at the second part of its thirteenth session.

C. Second compilation and synthesis of initial national communications from Parties not included in Annex I to the Convention
(Agenda item 10 (c))

1. Proceedings

37. At its 3rd meeting, on 12 September, the SBI decided to consider this sub-item at the second part of its thirteenth session.

X. FINANCIAL MECHANISM
(Agenda item 11)

A. Support to the Intergovernmental Panel on Climate Change
(Agenda item 11 (a))

1. Proceedings

38. The SBI considered this sub-item at its 3rd and 4th meetings, on 12 and 15 September respectively.

39. At the 3rd meeting, the secretariat of the Intergovernmental Panel on Climate Change (IPCC) provided a statement by Mr. Robert Watson, Chairman of the IPCC, on the status of the capacity-building project proposal on vulnerability and adaptation to climate change of the Global Environment Facility and the IPCC.

2. Conclusions

40. At its 4th meeting, on 15 September, having considered a proposal by the Chairman, the SBI adopted the following conclusions,

(a) The SBI took note of the statement of the Chairman of the IPCC on the status of the project proposal on capacity-building related to vulnerability and adaptation to climate change ;

(b) The SBI noted that the GEF had approved a Project Preparation and Development Facility Block B (PDF-B) grant of US$ 350,000 for the development of a full proposal;

(c) It also noted the progress made in revising the full proposal with the participation of experts from non-Annex I Parties.

B. Report of the Global Environment Facility to the Conference of the Parties
(Agenda item 11 (b))

1. Proceedings

41. At its 3rd meeting, on 12 September, the SBI decided to consider this sub-item at the second part of its thirteenth session.

C. Other matters
(Agenda item 11 (c))

1. Proceedings

42. The SBI considered this sub-item at its 3rd and 4th meetings, on 12 and 15 September respectively. It had before it document FCCC/SBI/2000/MISC.1.

43. Statements were made by representatives of three Parties, including one speaking on behalf of the European Community and its member States.

44. At the 3rd meeting, the Chairman proposed that he would conduct informal consultations on a possible draft decision on additional guidance to the Global Environment Facility for consideration by the Conference of the Parties at its sixth session.

2. Conclusions

45. At its 4th meeting, on 15 September, having considered a proposal by the Chairman, the SBI agreed to further consider, at the second part of its thirteenth session, in a contact group to be co-chaired by the Chairman of the SBI, Mr. John Ashe (Antigua and Barbuda) and Mr. Kerry Groves (Australia), the draft decision on additional guidance to an operating entity of the financial mechanism, and additional submissions on this matter received from Parties, with a view to recommending a draft decision on this matter for adoption by the Conference of the Parties at its sixth session (see annex I below).

XI. VENUE OF THE SEVENTH SESSION OF THE CONFERENCE OF THE PARTIES
(Agenda item 12)

1. Proceedings

46. The SBI considered this item at its 3rd and 4th meetings, on 12 and 15 September respectively. It had before it document FCCC/SBI/2000/7.

47. The representative of Morocco made a statement thanking delegates for the confidence accorded to his country in agreeing that the seventh session of the Conference of the Parties should be held in Marrakech. He informed the meeting that the conference would take place

under the high patronage of His Majesty King Mohammed VI. The representative of Morocco stated that he looked forward, on behalf of Morocco and of the whole of Africa, to welcoming delegates to Marrakech.

48. At the same meeting, the SBI heard a report from the secretariat concerning certain technical problems that had arisen recently, necessitating reconsideration of the dates for the first sessional period in 2001. The Chairman undertook to consult on this question and report back to the SBI.

49. At the 4th meeting, on 15 September, the Chairman reported that his consultations on this question had not reached a consensus. The dates for the first sessional period in 2001 therefore remained unchanged.

2. Conclusions

50. At its 3rd meeting, on 12 September, having considered a proposal by the Chairman, the SBI recommended a draft decision on the venue of the seventh session of the Conference of the Parties for adoption by the Conference at its sixth session (FCCC/CP/2000/1/Add.1).

XII. ADMINISTRATIVE AND FINANCIAL MATTERS
(Agenda item 13)

A. Possible options to respond to late payment of contributions
(Agenda item 13 (a))

1. Proceedings

51. The SBI considered this sub-item at its 1st and 3rd meetings, on 11 and 12 September respectively. It had before it document FCCC/SBI/2000/5, annex I.

52. Statements were made by representatives of six Parties, including one speaking on behalf of the European Community and its member States.

53. At the 1st meeting, on 11 September, after recalling that at its twelfth session the SBI had transmitted an initial draft decision proposed by the Chairman for consideration at its thirteenth session (FCCC/SBI/2000/5, para. 47 (b)), the Chairman requested Mr. Mohamed M. Ould El Ghaouth (Mauritania) to continue conducting informal consultations with interested Parties.

54. At the 3rd meeting, on 12 September, Mr. El Ghaouth reported that consultations were still continuing and that Parties preferred to postpone the finalization of the draft decision until the second part of the session.

2. Conclusions

55. At its 3rd meeting, on 12 September, having considered the outcome of the informal consultations and the statements by representatives of six Parties, the SBI agreed that the Chairman should continue informal consultations with the assistance of Mr. El Ghaouth and that decisions on this item should be postponed until the second part of the session in November,

with a view to recommending a draft decision for adoption by Conference of the Parties at its sixth session (see annex II below).

B. Audited financial reports 1998-1999
(Agenda item 13 (b))

C. Interim financial performance 2000
(Agenda item 13 (c))

1. Proceedings

56. The SBI considered these sub-items together at its 3rd meeting, on 12 September. It had before it the following documents: FCCC/SBI/2000/8, FCCC/SBI/2000/9 and FCCC/SBI/2000/INF.12.

57. Statements were made by representatives of two Parties.

2. Conclusions

58. At its 3rd meeting, on 12 September, having considered a proposal by the Chairman, the SBI adopted the following conclusions:

(a) The SBI took note of the audited financial reports 1998-1999, the audit observations and the interim financial performance in 2000;

(b) The SBI expressed appreciation to the United Nations Board of Auditors for auditing the Convention's accounts and for its observations. It expressed its confidence that the audit recommendations would be implemented by the secretariat as far as applicable;

(c) The SBI decided to recommend a draft decision on administrative and financial matters for adoption by the Conference of the Parties at its sixth session FCCC/CP/2000/1/Add.1;

(d) The SBI agreed to start discussions on the programme budget for the biennium 2002-2003 at the second part of its thirteenth session and invited the Executive Secretary to make the necessary input thereto.

D. Implementation of the Headquarters Agreement
(Agenda item 13 (d))

1. Proceedings

59. The SBI considered this item at its 3rd meeting, on 12 September. The representative of Germany gave an interim report on the action taken by his Government as a follow-up to the conclusions agreed upon by the SBI at its twelfth session (FCCC/SBI/2000/5, para. 5). He informed the SBI that additional office space had been made available as a temporary solution; reiterated the host Government's plan to accommodate all United Nations organizations in a

single location; and reported on the current situation with regard to issuing visas to delegates as well as residence and work permits to United Nations staff and their families.

60. The Executive Secretary, in response, said that the secretariat would continue to work together with the host Government and other United Nations organizations located in Bonn on these issues, and report to the SBI on any progress made. He informed the SBI that the move of staff into the additional office premises would start after COP 6.

2. Conclusions

61. At its 3rd meeting, on 12 September, the SBI took note of the statements made by the host Government and the Executive Secretary, and invited them to report on progress at its next session.

E. Cooperation with the secretariat of the United Nations Convention to Combat Desertification

1. Proceedings

62. At the 3rd meeting, on 12 September, the Executive Secretary made an oral presentation regarding the plan to establish common administrative services between the secretariats of the UNFCCC and the United Nations Convention to Combat Desertification (UNCCD). The Chairman proposed that the secretariat report on this matter to subsequent sessions of the SBI.

2. Conclusions

63. At its 3rd meeting, on 12 September, the SBI took note of and welcomed the plan to establish common administrative services with UNCCD.

XIII. OTHER MATTERS
(Agenda item 14)

64. At the 3rd meeting on 12 September, the Chairman proposed that the SBI consider issues related to Articles 7 and 8 of the Kyoto Protocol at the second part of the thirteenth session after the SBSTA had arrived at conclusions on the guidelines on these articles, with the aim of submitting these guidelines for adoption by the COP at its sixth session.

65. At the 4th meeting, on 15 September, the Chairman informed the SBI that he had received a request that the SBI be invited to revise its recommendation to the Conference of the Parties, agreed upon by the SBI at its twelfth session (FCCC/SBI/2000/5, para. 43), concerning the scenario for COP 6. The revision to the scenario would mean that the Conference would adopt its agenda on Monday, 13 November 2000, instead of Monday, 20 November 2000, as originally recommended. The Chairman reported that he had consulted on this proposal. The SBI endorsed the revised scenario for adopting the agenda of COP 6 and the Chairman asked the secretariat to integrate this revision into its planning for COP 6.

XIV. REPORT ON THE SESSION
(Agenda item 15)

1. Proceedings

66. At its 4th meeting, on 15 September, the SBI considered the draft report on its thirteenth session (FCCC/SBI/2000/L.2).

67. A statement was made by one Party speaking on behalf of the African Group about the financial support to the IPCC, GEF activities in Africa, problems experienced by African delegations with regard to visas and the scenario for COP 6.

68. At the same meeting, on a proposal by the Chairman, the SBI authorized the Rapporteur, with the assistance of the secretariat, to complete the report of the session, under the guidance of the Chairman.

XV. CLOSURE OF THE SESSION

69. At the final joint meeting of the SBI and the SBSTA, on 15 September, statements were made by representatives of three Parties, including one speaking on behalf of the least developed countries, one speaking on behalf of the Group of 77 and China and one speaking on behalf of the European Community and its member States. At the same meeting, statements were also made by a representative of the Union of Industrial and Employers' Confederations of Europe on behalf of the business community and a representative from the Consortium for Community Forest Systems on behalf of the indigenous people.

70. The chairmen stated that no new provisional agenda and annotations would be issued for the second part of the thirteenth sessions. The secretariat would prepare a list of documents under the respective agenda items (FCCC/CP/2000/1/Add.2).

71. At the same joint meeting, the chairmen of the subsidiary bodies requested the co-chairs of the contact groups to resume their responsibilities at the second part of the thirteenth sessions, including those who were not able to participate in the first part of the sessions. The chairmen called for co-chairs holding consultations before the second part of the thirteenth sessions to report on those consultations at that part of the sessions.

72. Also at the final joint meeting, the chairmen suspended the sessions of the subsidiary bodies and noted that the sessions would resume in The Hague on 13 November.

Annex I

DRAFT DECISION FOR CONSIDERATION BY THE SUBSIDIARY BODY FOR IMPLEMENTATION AT THE SECOND PART OF ITS THIRTEENTH SESSION

Draft decision -/CP.6

Additional guidance to the operating entity of the financial mechanism

Text by the co-chairmen

The Conference of the Parties,

Recalling its decisions 11/CP.1, 10/CP.2, 11/CP.2, 12/CP.2, 2/CP.4 ~~and~~ 8/CP.5 and [10/CP.5],

[Noting the extension of funding through the expedited procedures of the Global Environment Facility (GEF) for countries to address capacity-building needs identified in decision 2/CP.4 enabling Parties to maintain and enhance relevant national capacities and for the preparation of second national communications in accordance with decision 8/CP.5],

Noting also the launching of the GEF Country Dialogue Workshops which have been designed to strengthen national coordination, capacity-building and to promote awareness raising and the results of the first phase of the GEF Capacity Development Initiative, a strategic partnership between the GEF Secretariat and the United Nations Development Programme, which was forwarded to Parties in accordance with decision 10/CP.5,

Welcoming the launch of negotiations on the third replenishment of GEF, and urging Annex II Parties to [increase] their contributions to the GEF Trust Fund,

1. *Decides* that, in accordance with Articles 4.3, 4.5 and 11.1 of the Convention, the GEF, as an operating entity of the financial mechanism, should provide financial resources to developing country Parties, in particular the least developed and the small island developing States amongst them, to:

(a) [Implement country-driven Stage II adaptation activities that build upon work done at the national level, either in preparation of national communications or from in-depth national studies, and develop demonstration projects ("learning-by-doing") aimed at identifying and subsequently implementing viable options for Stage III adaptation activities];

(a) bis [Implement country-driven Stage II adaptation activities that build upon work done at the national level, either in preparation of national communications or from in-depth national studies in particularly vulnerable countries and regions identified in Stage I activities, and especially in countries vulnerable to climate-related natural disasters];

(a) ter [Develop demonstration projects ("learning-by-doing") aimed at identifying and subsequently implementing viable options for Stage III adaptation activities];

(b) [Support the continuation of the "country-team" approach which enhances the collection, analysis, interpretation and dissemination of data on climate change issues and increases national commitment to the implementation of the objective of the Convention];

(c) [Establish and/or strengthen national, subregional or regional databases on climate change];

(d) [Enhance the capacity of their subregional and/or regional information networks to enable such networks to serve as repositories of climate change related information on vulnerability and adaptation assessments and geographic information systems];

(e) [Improve climate change related data collection (e.g. local emission factors) and information gathering, as well as the analysis, interpretation and dissemination of these data to national policy-makers and other end-users];

(f) [Establish and/or strengthen subregional and/or regional climate change related institutions and "centres of excellence", to enable these centres and institutions to provide a supportive framework, including for information retrieval and technical support];

(g) [Develop and implement prioritized projects identified in their national communications];

(h) [Undertake, on submission of their initial national communications, in the preparation of their subsequent national communications, more in-depth public awareness and education activities and community involvement and participation in climate change issues];

(i) [Build capacity for disaster preparedness and disaster management, including contingency planning for droughts and floods in areas [prone to extreme weather events] [most vulnerable to the adverse effect of climate change]];

(j) [Strengthen [existing and, where appropriate, establish] [the capacity to participate in] early warning systems for extreme weather events in an integrated and interdisciplinary manner to assist particularly vulnerable Parties].

2. [*Requests*] [*Encourages*] the GEF to:

(a) [Continue its efforts aimed at minimizing the time between approval of project concepts, development and approval of the related projects, and the disbursement of funds by its implementing agencies to the recipient countries of those projects];

(a) bis [Further streamline its project cycle with a view to making project preparation simpler, less prescriptive, more transparent and country-driven];

(b) [Ensure that its implementing agencies are] [encourage its implementing agencies to be] more responsive to requests for GEF assistance from developing country Parties for climate change related project activities aimed at implementing the guidance of the COP;

(c) Further enhance the use of national and regional experts and/or consultants in all aspects of project development and implementation. In this regard, it should make [its roster of national and regional experts and/or consultants available to developing country Parties through the institutions referred to in paragraphs 1 (e and/or g) above] [this information available to developing countries];

(d) [Further streamline its project cycle with a view to ensuring that there is only one GEF project cycle for all GEF activities within its implementing agencies];

(e) [Give consideration to recommending that the second GEF assembly increase the number of implementing agencies, thereby ensuring that developing country Parties have more opportunities available to them for accessing GEF funds for climate change activities aimed at implementing the guidance of the COP].

3. *Further requests* the GEF to include in its report to the seventh session of the Conference of the Parties the specific steps it has taken to implement the provisions of this decision.

Annex II

DRAFT DECISION FOR CONSIDERATION BY THE SUBSIDIARY BODY FOR IMPLEMENTATION AT THE SECOND PART OF ITS THIRTEENTH SESSION
Draft decision -/CP.6

Late payment of contributions: response options

The Conference of the Parties,

Recalling paragraph 8 (b) of its financial procedures,

Having considered the report of the Executive Secretary on options for responding to late payment of contributions: (FCCC/SBI/2000/2),

1. *Takes note* of the initiatives already taken by the secretariat as indicated in document FCCC/SBI/2000/2, paragraph 17;

2. *Urges* all Parties to the Convention to note that contributions to the core budget are due on 1 January of each year, and to pay their respective contributions promptly and in full by that date;

3. *Requests* the Executive Secretary to continue using persuasion as well as other means, including posting the status of contributions on the Convention's web site in a more visible manner, to encourage Parties to make their contributions in time;

4. *Decides* that, with effect from 1 January 2001, Parties that have arrears of contributions of one full year or more will not be eligible:

(a) For membership of the Bureau of the Conference of the Parties and its subsidiary bodies;

(b) To participate in the debates at its sessions and at sessions of its subsidiary bodies;

(c) For invitation to inter-sessional workshops and other meetings;

5. *Decides* that, with effect from 1 January 2001, Parties which would normally be eligible for funding, and that have arrears of contributions of one full year or more, will not receive funding to attend any sessions;

6. *Also decides* that Parties which are least developed or small island States are exempt from paragraphs 4 and 5 unless they have arrears of contributions of two years or more;

7. *Decides further* that, with effect from 1 January 2001, delegations from Parties that have arrears of contributions of one year or more will be limited to two members at sessions of the Conference of the Parties and the subsidiary bodies until the arrears of the Party in question have been cleared.

Annex III

REPORT OF THE JOINT WORKING GROUP ON COMPLIANCE ON ITS WORK DURING THE FIRST PART OF THE THIRTEENTH SESSIONS OF THE SUBSIDIARY BODIES

I. INTRODUCTION

1. The meetings of the Joint Working Group on Compliance (JWG) were presided over by Mr. Tuiloma Neroni Slade and Mr. Harald Dovland.

2. One of the Co-Chairmen of the JWG, opening the meetings, recalled that consultations held during the inter-sessional period had been useful. Based on these discussions, the Co-Chairmen had prepared a text on procedures and mechanisms relating to a compliance system (FCCC/SB/2000/7).

3. Following the discussions during the pre-sessional week of informal meetings, the Co-Chairmen prepared a revised text on compliance for discussion by the JWG.

II. PROCEDURES AND MECHANISMS RELATING TO COMPLIANCE UNDER THE KYOTO PROTOCOL

1. Proceedings

4. The JWG held discussions on compliance. Statements were made by representatives of 20 Parties, including one speaking on behalf of the Group of 77 and China, one speaking on behalf of the European Community and its member States and one speaking on behalf of the Alliance of Small Island States.

2. Conclusions

5. On the basis of a proposal by the Co-Chairmen, the JWG requested the Co-Chairmen, with the assistance of the secretariat, to further develop the text on compliance contained in document FCCC/SBI/2000/10/Add.2, to serve as the basis for negotiations, along with inputs from Parties, at the second part of the thirteenth sessions of the subsidiary bodies.

III. REPORT ON THE MEETINGS

6. The JWG considered and adopted the report on its meetings drafted by the Co-Chairmen.

Annex IV

LIST OF DOCUMENTS BEFORE THE SUBSIDIARY BODY FOR IMPLEMENTATION AT THE FIRST PART OF ITS THIRTEENTH SESSION

FCCC/SBI/2000/5	Report of the Subsidiary Body for Implementation on its twelfth session, Bonn, 12-16 June 2000
FCCC/SBI/2000/6	Provisional agenda and annotations. Note by the Executive Secretary
FCCC/SBI/2000/7	Venue of the seventh session of the Conference of the Parties
FCCC/SBI/2000/8	Administrative and financial matters. Income and budget performance in the biennium 2000-2001: interim report as at 30 June 2000. Arrangements for administrative support to the Convention. Note by the Executive Secretary
FCCC/SBI/2000/9	Administrative and financial matters. Audit reports. Audited financial statements for the biennium 1998-1999: report of the United Nations Board of Auditors. Note by the Executive Secretary
FCCC/SBI/2000/11	National communications from Parties included in Annex I to the Convention. Greenhouse gas inventory data from 1990 to 1998. Report on national greenhouse gas inventory data from Annex I Parties from 1990 to 1998
FCCC/SBI/2000/INF.7	National communications from Parties not included in Annex I to the Convention. Provision of financial and technical support. Activities of the secretariat to facilitate the provision of financial and technical support, and information on communications from Parties not included in Annex I to the Convention
FCCC/SBI/2000/INF.12	Administrative and financial matters. Income and budget performance in the biennium 2000-2001. Status report on receipt of contributions from Parties
FCCC/SBI/2000/MISC.1	Financial mechanism. Other matters. Draft decision submitted by the Group of 77 and China
FCCC/SBI/2000/L.2	Report on the session. Draft report of the Subsidiary Body for Implementation on the first part of its thirteenth session

FCCC/SBI/2000/L.3	Venue of the seventh session of the Conference of the Parties. Recommendation of the Subsidiary Body for Implementation
FCCC/SBI/2000/CRP.8	Administrative and financial matters. Recommendation of the Subsidiary Body for Implementation
FCCC/SBI/2000/CRP.9	Financial mechanism. Other matters. Draft conclusions by the Chairman
FCCC/SBI/2000/CRP.9/ Add.1	Financial mechanism. Other matters. Addendum. Additional guidance to the operating entity of the financial mechanism. Co-Chairmen's text
FCCC/SBI/2000/CRP.10	Financial mechanism. Support to the Intergovernmental Panel on Climate Change. Draft conclusions by the Chairman
FCCC/SB/2000/4	Mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol. Consolidated text on principles, modalities, rules and guidelines. Note by the chairmen
FCCC/SB/2000/5 and Corr. 1	Implementation of Article 4.8 and 4.9 of the Convention (Decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol). Matters relating to Article 3.14 of the Kyoto Protocol. Note by the chairmen of the subsidiary bodies
FCCC/SB/2000/6 and Add.1	Activities implemented jointly under the pilot phase: Fourth synthesis report on activities implemented jointly and draft revised uniform reporting format
FCCC/SB/2000/7	Products and mechanisms relating to compliance under the Kyoto Protocol. Proposals from the Co-Chairman of the Joint Working Group on Compliance
FCCC/SB/2000/8	Capacity-building in developing countries (non-Annex I Parties). Possible elements of a draft framework for capacity-building in developing countries (non-Annex I Parties)
FCCC/SB/2000/9	Capacity-building in countries with economies in transition. Possible elements of a draft framework for capacity-building in countries with economies in transition (Parties included in Annex I to the Convention but not included in Annex II)
FCCC/SB/2000/MISC.4 and Add.1, Add.2/Rev.1, Add.2/Rev.1/Corr.1, and Add.3	Mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol. Principles, modalities, rules and guidelines. Additional submissions from Parties

FCCC/SB/2000/CRP.10	Procedures and mechanisms relating to compliance under the Kyoto Protocol. Report of the Joint Working Group on Compliance on its work during the thirteenth sessions of the subsidiary bodies
FCCC/SB/2000/CRP.10/ Add.1	Procedures and mechanisms relating to compliance under the Kyoto Protocol. Proposals by the Co-Chairmen of the Joint Working Group on Compliance
FCCC/SB/2000/CRP.11	Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol). Matters relating to Article 3.14 of the Kyoto Protocol. Draft conclusions by the chairmen
FCCC/SB/2000/CRP.11/ Add.1	Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol). Matters relating to Article 3.14 of the Kyoto Protocol. [Draft decision(s)]
FCCC/SB/2000/CRP.13	Capacity-building. Capacity-building in developing countries (non-Annex I Parties). Capacity-building in countries with economies in transition. Draft conclusions by the chairmen
FCCC/SB/2000/CRP.13 Add.1	Capacity-building. Capacity-building in developing countries (non-Annex I Parties). Draft decision
FCCC/SB/2000/CRP.13 Add. 2	Capacity-building. Capacity-building in countries with economies in transition. Draft decision
FCCC/SB/2000/CRP.14	Mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol. Conclusions
FCCC/SB/2000/CRP.14/ Add.1 (Volumes 1-4)	Mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

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UNITED
NATIONS

Framework Convention
on Climate Change

Distr.
GENERAL

FCCC/SBI/2000/10/Add.1
3 October 2000

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION

REPORT OF THE SUBSIDIARY BODY FOR IMPLEMENTATION ON THE WORK OF ITS THIRTEENTH SESSION (PART I) LYON, 11-15 SEPTEMBER 2000

Addendum

IMPLEMENTATION OF ARTICLE 4.8 AND 4.9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL[1]

MATTERS RELATING TO ARTICLE 3.14 OF THE KYOTO PROTOCOL[2]

[Draft decision(s)

[Draft decision -/CP.6]

Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)

Matters relating to Article 3.14 of the Kyoto Protocol

Preambular paragraphs relating to Article 4.8 and 4.9 of the Convention:

The Conference of the Parties,

Determined to protect the climate system for present and future generations,

Reaffirming its commitment to achieving the ultimate objective of the Convention, as defined in Article 2 of the Convention,

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[1] This item was considered jointly with the Subsidiary Body for Scientific and Technological Advice at the first part of the thirteenth sessions, under agenda item 3.

[2] This item was considered jointly with the Subsidiary Body for Scientific and Technological Advice at the first part of the thirteenth sessions, under agenda item 4.

[*Recalling* its decision 11/CP.1, paragraph 1 (d) on policies, programme priorities and eligibility criteria regarding adaptation, particularly the matter of funding stages I, II and III [of implementation],]

Recalling also its decision 1/CP.4, paragraph 1 (c), on the implementation of Article 4.8 and 4.9 of the Convention (covering also Articles 2.3 and 3.14 of the Kyoto Protocol),

Recalling further its decisions 3/CP.3, 5/CP.4 and 12/CP.5,

Recognizing the specific needs and concerns of developing country Parties referred to in Article 4.8 of the Convention, and the specific needs and special situations of the least developed countries referred to in Article 4.9,

Recognizing further that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought, and desertification, and developing countries with fragile mountainous ecosystems are particularly vulnerable to the adverse effects of climate change,

Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken on limiting greenhouse gas emissions,

Reaffirming that Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof,

Reaffirming that the specific needs and special circumstances of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change, and of those Parties, especially developing country Parties, that would have to bear a disproportionate or abnormal burden under the Convention, should be given full consideration,

Affirming that responses to climate change should be co-ordinated with social and economic development in an integrated manner with a view to avoiding adverse impacts on the latter, taking into full account the legitimate priority needs of developing countries for the achievement of sustained economic growth and eradication of poverty,

Acknowledging the efforts already made by Parties to meet the specific needs and concerns of developing country Parties, in particular the least developed countries, with regard to adaptation,

[*Acknowledging* the need to sensitize policy makers and the general public in non-Annex I countries to climate change and its effects, in accordance with Article 6 (a) of the Convention,]

Having considered the report,[3] in two parts, on the two workshops referred to in decision 12/CP.5,

Noting the [many persistent] uncertainties highlighted by those workshops, particularly in regard to the impact of response measures,

Acknowledging that the [adverse] impacts of response measures will differ significantly from country to country, depending on each country's unique national circumstances, including the structure of its economy, trade and investment flows, natural resource endowment, social system, legal regime, and population growth rate,

Preambular paragraphs relating to Article 3.14 of the Kyoto Protocol:

Determined to protect the climate system for present and future generations,

Having considered matters relating to Article 3.14 of the Kyoto Protocol,

Recalling [its decision 8/CP.4] [decision 8/CP.4 of the Conference of the Parties], particularly as it refers to decision 5/CP.4 [of the Conference of the Parties],

[*Recognizing* that decision -/CP.6 of the Conference of the Parties establishes an appropriate process for information gathering and exchange on issues relating to the adverse effects of climate change and/or the impact of response measures,]

Recognizing that developing country Parties, that would have to bear a disproportionate or abnormal burden under the Convention, should be given full consideration,

[*Noting* in particular the [request] [invitation] contained in decision -/CP.6 of the Conference of the Parties to the Intergovernmental Panel on Climate Change (IPCC) to prepare a special report on all aspects, including the methodological aspects related to impacts of response measures on developing countries, particularly the least developed countries,]

Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken on limiting greenhouse gas emissions,

[*Recognizing* the [key] role that cost-effective and transparent flexibility mechanisms of the Kyoto Protocol could have in minimizing the impacts of response measures on non-Annex I Parties,]

[*Reaffirming* the environmental benefits of protecting and enhancing sinks and reservoirs of greenhouse gases, in accordance with Article 2.1(a)(ii) of the Kyoto Protocol, taking into account commitments under other relevant international environmental agreements,]

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[3] FCCC/SB/2000/2.

Reaffirming the importance of domestic policies and measures to reduce anthropogenic emissions of greenhouse gases in each Party included in Annex I, in minimizing the adverse effects of climate change,

Acknowledging the [need for] [role that can be played, by] the progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objective of the Convention and application of market instruments, in accordance with Article 2.1(a)(v) of the Kyoto Protocol,

I

ADVERSE EFFECTS OF CLIMATE CHANGE

Section A

1. *Asserts* the importance of a country-driven approach that allows developing countries to pursue the specific activities most appropriate to their unique national circumstances;

2. *Insists* that action related to adaptation follow [a thorough] [an] assessment and evaluation process, based on national communications and other relevant information, [or in the case of the least developed countries, other appropriate information,] so as to prevent maladaptation and to ensure that adaptation actions are environmentally sound and will produce real benefits in support of sustainable development [, taking into account the specific concerns of the least developed countries];

3. *Encourages* Parties not included in Annex I to the Convention (non-Annex I Parties) to provide information, including in their national communications, [and any other [relevant sources of information] [relevant reports], [or in the case of the least developed countries, other appropriate information,]] on their specific needs and concerns arising from the adverse effects of climate change;

4. *Stresses* the need for Parties included in Annex II to the Convention (Annex II Parties) to provide detailed information, [including] in their national communications, on support programmes to meet the specific needs and circumstances of developing country Parties arising from the adverse effects of climate change;

5. *Encourages* Parties to exchange information on their experience regarding the adverse effects of climate change and on measures to meet their needs arising from these adverse effects;

6. *Underlines* the importance of the ongoing work of the secretariat in compiling and disseminating information on methods and tools to evaluate impacts and adaptation strategies;

Section B

7. [*Encourages* Annex II Parties, bilaterally and/or in cooperation with international and/or multilateral organizations such as the Global Environment Facility, as appropriate, to continue to cooperate and to provide further financial and technological support for specific activities listed below, in accordance with the national circumstances and sustainable development priorities of

non-Annex I Parties, where these have been identified as mutual priorities for sustainable development assistance through established dialogues:]

[*Decides* that Annex II Parties shall provide developing country Parties with new, additional, and sufficient financial resources and technical support on a timely, ongoing basis for the activities listed below; these resources may be provided through new and existing financial and funding mechanisms, including the Global Environment Facility:]

(a) Information [needs] and [enhancing] methodologies:

(i) Improving data collection and information gathering, as well as the analysis, interpretation and dissemination to end-users;

(ii) Integrating climate change considerations into sustainable development planning;

(iii) Providing training in specialized fields relevant to adaptation such as climate and hydroclimate studies, geographical information systems, environmental impact assessment, modelling, integrated coastal zone management, soil and water conservation and soil restoration;

(iv) Strengthening existing [and, where needed, establishing] national and regional systematic observation and monitoring networks (sea level, climate and hydrological monitoring stations, fire hazards, land degradation, floods, cyclones and droughts);

(v) Strengthening existing [and, where needed, establishing] national and regional centres and institutions for the provision of research, training, education [and scientific and technical support in specialized fields relevant to climate change], utilizing information technology as much as possible;

(vi) Strengthening existing [and, where needed, establishing] national and regional research programmes on climate variability and climate change, oriented towards improving the knowledge of the climate system on the regional scale, and creating national and regional scientific capability;

(vii) Improving monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems [, and improving disease control and prevention];

(viii) [[Increasing financial and technical support for] [Supporting] education, training and public awareness of climate change related issues, for example through workshops, and information dissemination;]

(b) Vulnerability and adaptation:

(i) Supporting enabling activities for vulnerability and adaptation assessment;

(ii) [Enhancing technical training for integrated climate change impact, vulnerability and adaptation assessments, across all sectors, and environmental management in relation to climate change;]

(iii) Enhancing [institutional] capacity to integrate adaptation into sustainable development programmes;

(iv) Promoting the transfer of adaptation technologies;

(v) [Establishing [projects or] demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, [and can/may be integrated into national policy and sustainable development planning,] on the basis of information provided in the national communications from non-Annex I Parties, and other relevant sources, and of the staged approach endorsed by the Conference of the Parties (COP) in its decision 11/CP.1;]

(vi) [Implementing adaptation activities immediately where sufficient information is available to warrant such activities, particularly in the areas of water resources management, land management, agriculture, health, infrastructure development, ecosystems and integrated coastal zone management, and energy supply;]

(vii) [Supporting] [Providing additional financial and technical support for] [institutional] capacity-building for disaster [prevention,] preparedness and disaster management, including contingency planning for droughts and floods in areas prone to extreme weather events;

(viii) Strengthening existing [and, where needed, establishing] early warning systems for extreme weather events in an integrated and interdisciplinary manner to assist developing country Parties, in particular those most vulnerable to climate change;

(ix) [Strengthening existing [and, where needed, establishing] national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible;]

(x) [Establishing a disaster fund for climate-induced disaster relief for vulnerable developing countries under Article 4.8 and 4.9 of the Convention;]

[Further improving readiness for climate-induced disaster relief for vulnerable countries as well as non-climate related disaster relief;]

(c) Further multilateral work

(i) [Developing joint work with other conventions, such as the Convention to Combat Desertification, on areas of common interest, and addressing linkages to related decisions of the COP;]

[Conducting a workshop, organized by the secretariat, before [SB 14] [COP 7], on the possible synergies and joint action with the other multilateral environmental conventions and agreements such as the Convention to Combat Desertification, and reporting the results of this workshop to COP 7;]

(ii) Conducting a workshop, organized by the secretariat, before [SB 14] [COP 7], on insurance and risk assessment in the context of climate change and extreme weather events, and reporting the results of this workshop to COP 7;

8. [*Invites* the relevant international organizations to cooperate in promoting methodologies to distinguish climate change impacts from other impacts;]

9. [*Requests* the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI) to consider further, at their subsequent sessions, how to prioritize adaptation measures on a country by country basis;]

10. *Requests* the SBSTA and the SBI to review, at their subsequent sessions, the progress of the above-mentioned activities and make recommendations thereon to the COP at its [seventh] [eighth] session;

Section C

11. [*Decides* that Annex II Parties shall] [*Urges* [Annex II] Parties to] take actions to assist the least developed countries, which are the most vulnerable and have the lowest adaptive capacity, to reduce the impacts of adverse effects of climate change on their people. The following basic and fundamental activities must [commence at COP 6] [be addressed within a time-frame to be decided, and be consistent with national strategies for sustainable development]:

(a) Strengthening existing [and, where needed, establishing] national climate change [secretariats] [focal points] to enable effective implementation of the Convention including preparation of national communications and their regular update;

(b) Providing financial and technical support for vulnerability and integrated adaptation assessment, and developing an integrated adaptation programme;

(c) Capacity-building;

(d) Developing and implementing a public awareness programme to ensure dissemination of information on climate change issues;

(e) Providing support for the organization of a workshop before [xx] for the least developed countries in order to enable these Parties to continue to discuss their specific needs under the Convention;]

II

IMPACT OF THE IMPLEMENTATION OF RESPONSE MEASURES

12. [*Stresses* that Parties should take action consistent with the ultimate objective of the Convention;]

13. [*Decides* that, in order to minimize the impacts of response measures, Annex II Parties shall provide developing countries with new, additional and sufficient financial resources and technical support on a timely, [on-going] [continuing] basis for the activities listed below; these resources shall be provided through new and existing financial and funding mechanisms;]

Section A

14. *Encourages* non-Annex I Parties to provide information in their national communications and/or other relevant reports, on their specific needs and concerns arising from the implementation of response measures;

15. [*Encourages*] [*Decides* that] Annex II Parties [and other Parties who are in a position to do so] [to] [shall] provide detailed information, in their national communications and any other relevant reports, on their existing and planned support programmes to meet the specific needs and concerns of developing country Parties arising from the impact of the implementation of response measures;

16. [*Reiterates*, as stated in decision 12/CP.5, sixth preambular paragraph, that the identification of initial actions needs "to be based on sufficient information and analysis within a clearly-defined process";]

17. [*Decides* that the above information should be provided and analysis conducted within the following clearly-defined process:

(a) First, methodologies for assessing, and case studies describing, the impact of response measures since the Convention entered into force must be developed in the following manner:

(i) Consistent with Article 4.8 of the Convention, these methodologies should provide for the separation of the impact of other unrelated policies and measures from that of policies and measures [undertaken] [applied] specifically to address climate change;

(ii) Where policies and measures are [undertaken] [applied] for multiple reasons, those methodologies should recommend means to determine what proportion of the policies and measures were [undertaken] [applied] for climate change mitigation purposes;

(iii) These methodologies should also disaggregate the effect of climate change policies and measures from that of other factors, such as technology development, macroeconomic variability, cultural or consumer changes, structural economic shifts, and exogenous changes in other markets, such as those for fuels;

(iv) The counterfactual scenario underlying any assessment of the impact of response measures should include any actions which developing countries could have taken to minimize the impact of response measures, focusing particularly on the time period since the Convention entered into force. The counterfactual scenario should include, *inter alia*, any trade or investment liberalization, structural adjustment or balance of payments stabilization plans agreed to with international financial institutions;

(v) These methodologies should also provide the means to assess the uncertainty surrounding the impacts of specific climate change response measures on specific countries;

(b) Using these methodologies, developing countries which believe that they have been harmed by the impacts of response measures should demonstrate via a formal reporting process, as a prerequisite to any further discussion of the impact of response measures, the actions that they have taken under Article 4.8 to reduce their vulnerability to response measures. These communications should include:

(i) The circumstances and the legal, economic and social structures that determine the country's vulnerability to response measures;

(ii) The specific climate policies and measures that have impacted on them, the extent of the impact, and the uncertainty surrounding the quantification of that impact. This information should be disaggregated from the effect of other policies and measures and other factors, such as technology development, macroeconomic variability, cultural or consumer changes, structural economic shifts, and exogenous changes in other markets, such as those for fuels;

(iii) An assessment of all other actions, including the promotion of self-diversification of economies and creation of an enabling environment for investment, that they have taken to minimize the impacts of response measures on themselves;

(iv) A description of gross and net revenue flows, showing net profits, and an indication of how these revenues were spent or saved to promote

diversification of economies or otherwise minimize the impact of response measures;

(c) When the methodologies for *post facto* assessment of the impact of response measures have been fully refined, the development of methodologies for assessing possible effects of alternative future response measures can begin. These methodologies should provide the means for assessing, *inter alia*:

(i) Impacts under a variety of assumptions regarding technology development and transfer;

(ii) Impacts under a variety of investment, trade and legal regimes;

(iii) Impacts under a variety of policy scenarios. These scenarios should incorporate different mixes of policies and measures that developing countries might take to minimize the impact of response measures on them. These scenarios should also incorporate different mixes of climate policies and measures that Annex I Parties might take;

(iv) The effect of policies and measures [undertaken] [applied] for climate change mitigation purposes disaggregated from those [undertaken] [applied] for other reasons;]

18. [*Invites* the Intergovernmental Panel on Climate Change to prepare a special report on all aspects related to the assessment of the impact of response measures on developing countries, particularly the least developed countries. In this report the Intergovernmental Panel on Climate Change should address the following methodological issues that are relevant to the assessment of the impacts on developing countries of response measures taken by Annex I Parties:

(a) Ways and means to separate the impact of policies and measures specifically [undertaken] [applied] to address climate change from the impact of other policies and measures;

(b) Ways and means to determine how the impact on developing countries of policies and measures specifically [undertaken] [applied] to address climate change can be separated from the effects of other factors such as technological advances, macroeconomic variability and domestic economic priorities, as well as exogenous changes in markets;

(c) Ways and means to determine how other actions taken by the developing countries themselves could reduce any impacts of response measures, including a historical perspective on how such actions have been taken in the past;

19. *Requests* the SBSTA, at its xx session, to consider the special report. The SBSTA should discuss the report in detail, giving full opportunity for Parties and interested organizations to comment. If Parties so decide, they could recommend the methodologies for adoption by the COP, and make decisions on the information to be provided by developing country Parties to demonstrate the adverse impact of response measures. Parties will also consider the provision of funding to assist developing countries in providing this information;

20. Using these methodologies, developing country Parties which believe that they have been harmed by the impact of response measures should, as an ongoing process, gather relevant domestic information and analyse such data with a view to demonstrating how they may have been harmed by the impacts of response measures. This information may be contained in their national communications or other reports, and should be reported to the COP, for consideration under the agenda item on the implementation of Article 4.8. The information should be presented in the manner decided by the COP in its decision on methodologies and information to be provided by developing country Parties. Appropriate consideration will be given to the least developed countries in determining ways and means for these Parties to contribute to these deliberations.

21. *Requests* the secretariat to provide the COP with a synthesis of the information received from the developing country Parties. On the basis of this synthesis and any further information received from Parties, the COP will give appropriate consideration to further action.]

22. [*Urges* non-Annex I Parties to take immediate action to create favourable conditions for investment in sectors where such investment can contribute to economic diversification, and to report on such action in their national communications;]

23. [*Requests* the SBSTA and the SBI to review, at their subsequent sessions, the progress of the above-mentioned activities [and to make recommendations thereon] [with a view to making recommendations] to [COP 7] [COP 8] [COP/MOP x];]

Section B

24. [*Decides* to establish a fund to provide financial resources and insurance to developing countries impacted by the implementation of response measures;]

25. [*Decides* that Annex II Parties shall meet the capacity-building needs of developing countries, in particular those most vulnerable to the adverse impacts of response measures, for the implementation of programmes which address these impacts;]

26. *Urges* Parties to consider appropriate technological options in addressing the impact of response measures, consistent with national priorities, and indigenous resources;

27. [*Encourages* Parties to cooperate in the technological development of non-energy and less greenhouse-gas-emitting uses of fossil fuels, and requests Annex II Parties to support developing country Parties to this end;]

28. *Encourages* Parties to [cooperate] [promote cooperation] in the development [, diffusion and transfer] of advanced technologies that [minimize emissions from fossil fuels] [and/or] [store carbon dioxide;] [remove carbon dioxide emissions, and requests Annex II Parties to facilitate the participation of the least developed countries and other non-Annex I Parties in this effort;]

29. [*Calls upon* Annex II Parties to provide financial and technological support for strengthening the capacity of developing countries identified in Article 4.8 and 4.9 of the Convention for improving efficiency in upstream and downstream activities relating to fossil fuels;]

30. [*Encourages* Annex II Parties to support the development and use, in developing country Parties, of indigenous, less greenhouse-gas emitting energy sources, that are environmentally safe and sound, according to the national circumstances of each of these Parties;]

[*Calls upon* Annex II Parties to strengthen the capacity of developing countries identified in Article 4.8 and 4.9 of the Convention for improving efficiency in the production, distribution and use of fossil fuels, *inter alia*, natural gas, through the provision of financial and technological support;]

31. [*Decides* that Annex II Parties shall provide support for] [*Urges* Annex II Parties to promote cooperation and] research into, and the development and use of, renewable energy, including solar and wind energy, in developing country Parties;

32. *Invites* [Annex II Parties to support the promotion of] [the subsidiary bodies to consider further the role of] economic diversification in developing countries;

33. *Requests* the SBSTA and the SBI to consider, at their subsequent sessions, the response by [Annex II] Parties to the actions listed in paragraphs [xx] above;

III

FURTHER MULTILATERAL WORK RELATED TO ISSUES UNDER ARTICLE 4.8 AND 4.9 OF THE CONVENTION

34. [*Requests* [Annex II Parties to provide funding for] [the secretariat to organize] regional workshops in order to facilitate information exchange and integrated assessments, including for adaptation and technology transfer;]

35. *Requests* the secretariat to organize a workshop [*when?*] on the status of modelling activities to assess the adverse effects of climate change[, and the impact of response measures already implemented,] on individual developing countries, including on how to enhance the participation of developing country experts in such efforts;

36. [*Requests* the secretariat to organize a workshop [*when?*] on the needs and options of non-Annex I Parties for economic diversification, and on support programmes by Annex II Parties to address these needs;]

37. *Requests* the secretariat to organize a workshop [*when?*] on insurance-related actions to address the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and from the impact of the implementation of response measures;

38. [*Requests* the secretariat to organize a workshop [*when?*] on the special issues of concern to landlocked developing countries;]

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xx. *Recommends* that the Conference of the Parties serving as the meeting of the Parties at its first session adopt the following decision.

[Draft decision -/[CMP].1]

[Matters relating to Article 3.14 of the Kyoto Protocol]

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Determined to protect the climate system for present and future generations,

Having considered matters relating to Article 3.14 of the Kyoto Protocol,

Recalling [its decision 8/CP.4] [decision 8/CP.4 of the Conference of the Parties], particularly as it refers to decision 5/CP.4 [of the Conference of the Parties],

[*Recognizing* that decision -/CP.6 of the Conference of the Parties establishes an appropriate process for information gathering and exchange on issues relating to the adverse effects of climate change and/or the impact of response measures,]

Recognizing that developing country Parties that would have to bear a disproportionate or abnormal burden under the Convention should be given full consideration,

[*Noting* in particular the [request] [invitation] contained in decision -/CP.6 of the Conference of the Parties to the Intergovernmental Panel on Climate Change (IPCC) to prepare a special report on all aspects, including the methodological aspects related to impacts of response measures on developing countries, particularly the least developed countries,]

Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken on limiting greenhouse gas emissions,

[*Recognizing* the [key] role that cost-effective and transparent flexibility mechanisms of the Kyoto Protocol could have in minimizing the impacts of response measures on non-Annex I Parties,]

[*Reaffirming* the environmental benefits of protecting and enhancing sinks and reservoirs of greenhouse gases, in accordance with Article 2.1(a)(ii) of the Kyoto Protocol, taking into account commitments under other relevant international environmental agreements,]

Reaffirming the importance of domestic policies and measures to reduce anthropogenic emissions of greenhouse gases in each Party included in Annex I, in minimizing the adverse effects of climate change,

Acknowledging the [need for] [role that can be played, by] the progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in

all greenhouse gas emitting sectors that run counter to the objective of the Convention and application of market instruments, in accordance with Article 2.1(a)(v) of the Kyoto Protocol,

1. [*Decides* to establish a process that includes a programme of action to address matters related to Article 3.14 of the Kyoto Protocol, including information exchange and the development of methodologies related to the minimization of adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4.8 and 4.9 of the Convention, in all aspects, including methodologies related to the establishment of funding, insurance and transfer of technology;]

Section A

2. [*Invites* non-Annex I Parties to] [*Decides* that non-Annex I Parties shall] provide information in their national communications and [any] other reports, on their specific needs and concerns related to the minimization of adverse social, environmental and economic impacts on developing country Parties under Article 3.14 of the Kyoto Protocol;

3. [[*Invites* non-Annex I Parties to] [*Decides* that non-Annex I Parties shall] provide information on actions they have taken, and plan to take, to address their concerns;]

4. {[*Invites* Annex I Parties to] [*Decides* that Annex I Parties shall] provide information [, by [*date*], to the Conference of the Parties serving as the meeting of the Parties (COP/MOP) through the secretariat,] on their [intended] policies and measures, their impacts, and suggested ways to minimize these impacts;]

5. [[*Invites* Annex I Parties to] [*Decides* that Annex I Parties shall] provide information [, by [*date*], to the Conference of the Parties serving as the meeting of the Parties (COP/MOP) through the secretariat,] on, *inter alia*, progress on their reduction and phasing out of existing market imperfections, fiscal incentives, tax and duty incentives and subsidies in their energy sector, and on their plans to reduce or phase out such distortions];]

6. [*Affirms* that the consideration of actions under Article 3.14 to address the impact of response measures must be conditioned upon the actions taken by both developed and developing countries pursuant to Article 4.8 and 4.9 of the Convention;]

7. [*Decides* to develop guidelines to help determine if Annex I Parties are striving to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties, and in particular those identified in Article 4.8 and 4.9 of the Convention;]

8. [*Invites* the Intergovernmental Panel on Climate Change to prepare a technical paper on carbon capture and storage technologies, covering current and future options and possibilities, for consideration [by the subsidiary bodies at their [xx] sessions] [at its xth session];]

Section B

9. [[*Decides* that Annex I Parties shall] [*Invites* Annex I Parties to] [start to implement] [consider] the actions listed in subparagraphs (a) to (g) below, and shall report back in their national communications on their minimization efforts, by *[date]*:

(a) [Restructuring their tax systems to reflect the greenhouse gas content in all greenhouse gas emitting sectors, and removing subsidies;] [Removing subsidies on all greenhouse-gas emitting industries;] [Undertaking energy-price reform to reflect market prices and externalities, including greenhouse gas content;]

(b) [Discouraging the production of fossil fuels in Annex I Parties, and concentrating on domestic actions that will not negatively impact their fossil fuel imports from developing countries];

(c) [Discouraging the use of environmentally unsafe and unsound technologies, in particular nuclear energy, by reflecting their huge externalities, and ensuring that existing nuclear energy plants are constantly monitored to guarantee optimal safety;]

(d) [Removing the existing barriers (political and regulatory) to the use and import of oil, particularly in relation to the electricity sector;]

(e) [Encouraging a wider use of carbon dioxide reduction, and carbon capture and storage technologies;]]

10. [[*Decides* that Annex II Parties shall] [*Invites* Annex II Parties to] [start to implement] [consider] the actions listed in subparagraphs (a) to (g) below, and shall report back in their national communications on their minimization efforts, by *[date]*:

(a) [Assisting developing countries which are highly dependent on the export and consumption of fossil fuels in diversifying their economies;]

(b) [Providing prompt, adequate and just compensation to those developing countries adversely impacted by the implementation of response measures by Annex I Parties;]]

11. *Encourages* Annex I Parties to adopt policies and measures that will result in reductions in emissions of greenhouse gases, as an effective contribution to minimizing the adverse effects of climate change, and to provide information on these policies and measures in their national communications;

12. [*Decides*, on the basis of the output of the workshops referred to in this decision, and in accordance with Article 3.14 of the Kyoto Protocol, the relevant provisions of the Convention, and the general principles of international law, to consider issues related to compensation, funding, insurance and technology transfer, for proven adverse impacts of response measures on developing country Parties;]

13. [*Invites* oil producing and exporting Parties not included in Annex I to the Convention to consider setting up investment funds to promote economic diversification, and to undertake joint action aimed at minimizing any potential impacts of response measures on their economies, and to report progress made to the subsidiary bodies at their subsequent sessions;]

Section C

14. [*Requests* the secretariat to organize a workshop [*when?*] on methodological issues related to the [possible] [net] adverse impacts of response measures on developing country Parties under Article 3.14 of the Kyoto Protocol;]

15. [*Requests* the secretariat to organize a workshop [*when?*] on the choice of policies and measures that Annex I Parties intend to adopt to meet their commitments under the Kyoto Protocol, on how these may adversely impact developing countries under Article 3.14, and on ways to minimize these impacts;]

16. [*Requests* the SBSTA and the SBI, at their [xx] sessions, to [consider] [forward] the output of the workshops referred to in this decision, and to make recommendations thereon to [the COP/MOP] at its [xx] session.]]

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